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Near East and
South Asia Review

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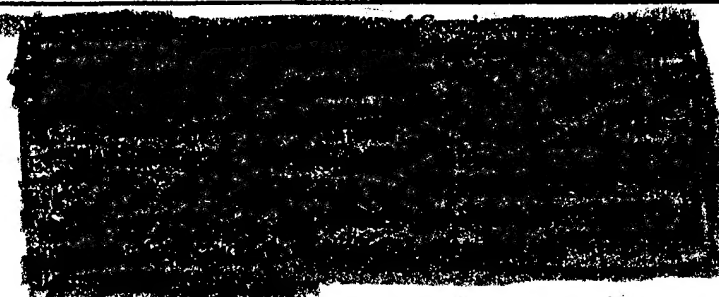
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Near East and
South Asia Review **b (3)**

24 April 1987

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When Egypt Comes Home: A Speculative Essay **b3**

Many obstacles block the formal reintegration of Egypt into Arab councils. Egypt's formal reintegration, however, is already well along, and, in the volatile political climate of the Middle East, improbable events are often the rule rather than the exception.

Tunisia-France: Military Cooperation and Commitment **b3**

Despite the long military relationship between Tunisia and France, there is no formal defense pact or security agreement between the two countries. Tunis depends on French military assistance and friendly relations to help it maintain credible deterrence against both internal and external threats, short of a full-scale invasion.

Syria: Retaking the Golan Heights **b3**

Economic problems have complicated but not halted President Assad's campaign to attain strategic parity with Israel. For the foreseeable future, Syria's ability to retake the Golan Heights will depend on attaining strategic surprise, enabling it to begin a concerted attack before Israeli reserves start arriving in force. **b3**

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b3 Syria: Attitudes Toward South Lebanese Resistance **b3** 17

Syria seeks to legitimize its claims to be a confrontation state by supporting politically and materially anti-Israeli resistance in South Lebanon, but Damascus's long-term goal is probably geared more toward manipulating violence in the south than stabilizing or inflaming the security situation along the Lebanese-Israeli frontier.

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Bahrain: Living With Less

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Bahrain's service-oriented economy has limited prospects for growth in the near term because of the continuing recession in the Persian Gulf. Failure to accommodate growing discontent among youth, the economically disadvantaged, religious fundamentalists, or the large foreign labor force will encourage internal instability over the long-term.

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Arab Sunni fundamentalists have been active for some time in support of the Afghan resistance. Their activities, however, have worsened relations between the resistance parties, and most Afghans resent the Arabs' heavyhanded attempts to interfere in traditional Afghan religious practices.

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Some articles in the Near East and South Asia Review are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the view of a single analyst; an item like this will be designated as a noncoordinated view.

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Near East and
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Articles

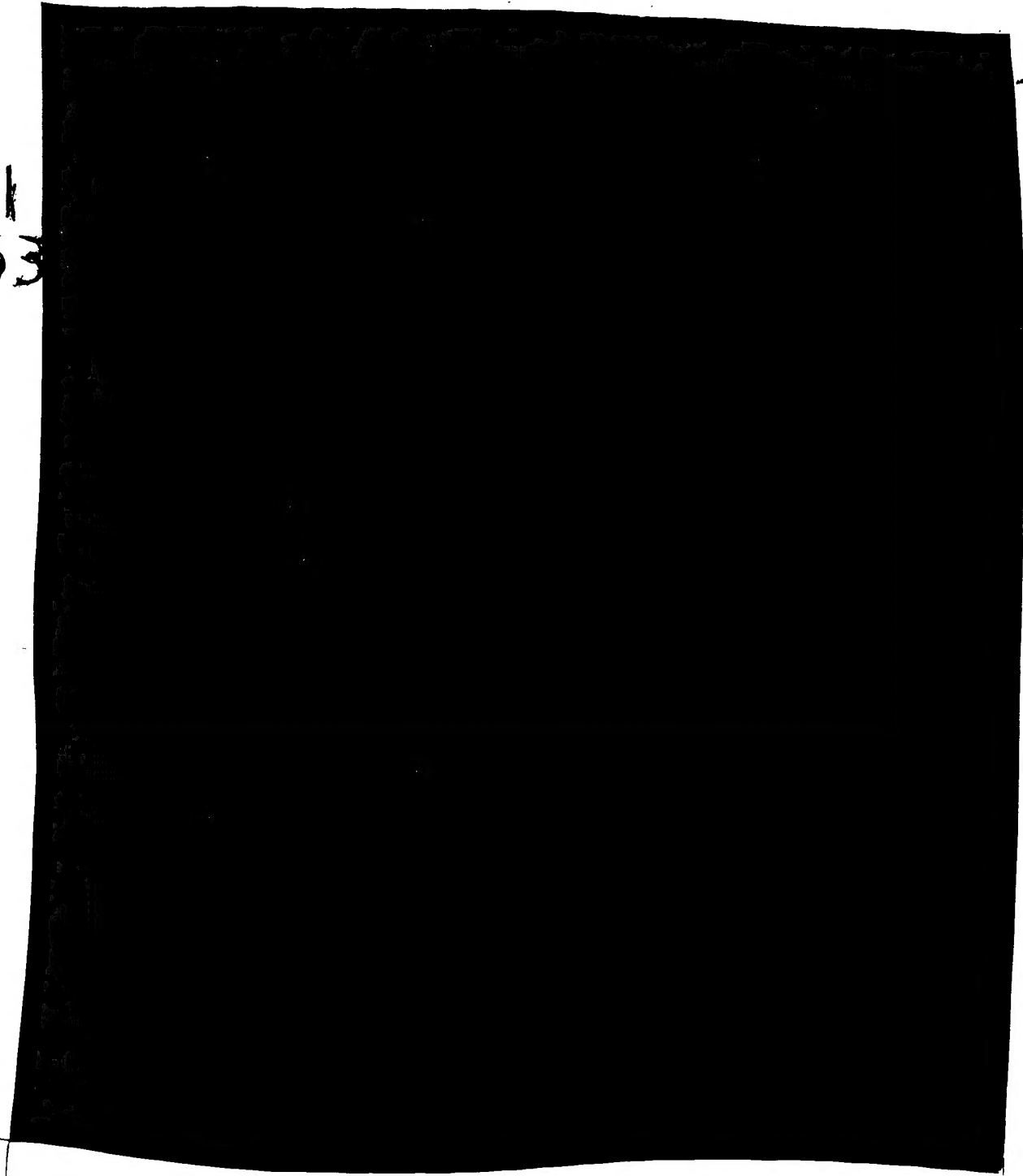
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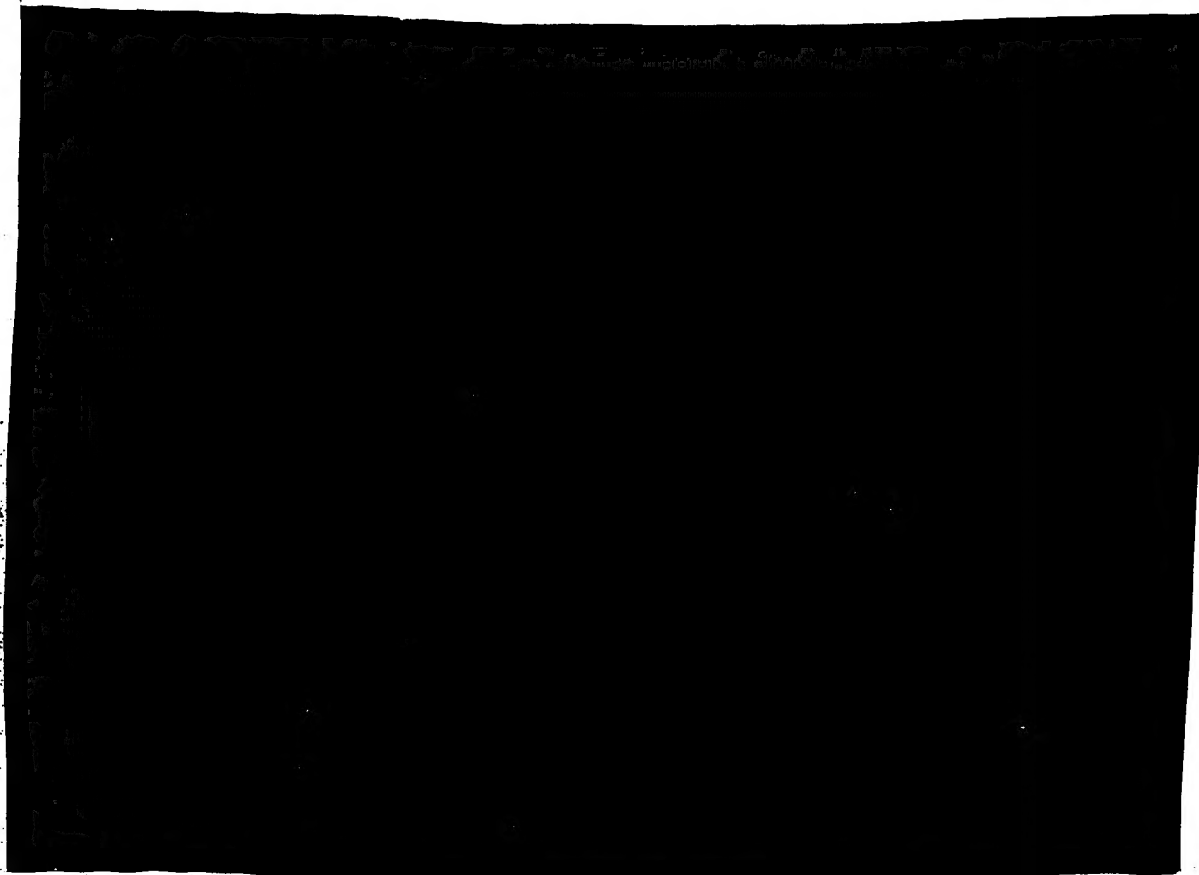
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When Egypt Comes Home:
a Speculative Essay

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Many obstacles block the formal reintegration of Egypt into Arab councils, but the event carries with it such significance that its implications are worth considering even in the absence of clear predictability. In the volatile political climate of the Middle East, moreover, improbable events are often the rule rather than the exception.

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Arab League Secretary General Klibi's press conference on 8 April asserting an Arab consensus in favor of Egypt's return to League councils—even though it represented atmospherics rather than action—nevertheless highlights an important evolution in the political climate of the Arab world. Egypt's informal reintegration is already well along, capped by President Mubarak's successful performance at the Islamic Conference summit meeting in Kuwait last January. High-level visits and pledges of aid followed, and, most notably, Saudi efforts to hold a formal Arab League summit meeting that will reinstate Egypt's membership were resumed.

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A formal process of reacceptance will require many more compromises and painful trade-offs. Moreover, how the process is accomplished will affect the final outcome. Nevertheless, a trend is evident that could ultimately affect a wide range of US interests in the Middle East.

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US-Egyptian Bilateral Relations

If Egypt succeeds in obtaining substantial economic assistance from the Gulf Arabs, its dependence on the United States for economic support could be reduced.

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Cairo has already received approximately \$1 billion in aid from the Gulf Arabs since last summer, with as much as \$1 billion promised over the next year. Arab assistance might also boost Egypt's military ties to the West by enabling Cairo to pay for advanced US military equipment and West European systems needed for modernization.

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Egyptian readmission into the Arab League would further boost Mubarak's stature as an independent Arab leader and quiet domestic critics who have harped on their country's isolation from other Arab states and overdependence on the United States. It would end an era of isolation for Egypt that made both Sadat and Mubarak targets of Nasirist and other left-leaning political opponents—of which many remain in the Egyptian bureaucracy and elite circles—as well as Muslim fundamentalists, who represent the regime's most vociferous mass-based opposition.

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Arab-Israeli Conflict

Egypt's readmission to the Arab fold on its own terms—carrying its commitment to Camp David in full view—would strengthen the moderate Arab consensus in favor of peace negotiations. The Arab-Israeli conflict appears to have receded in significance for the Gulf Arabs, paling in the face of threats from Iran, whose brand of revolutionary fundamentalism challenges the legitimacy of all the Gulf monarchies. Moreover, Egypt has demonstrated that peace with Israel can work for both sides.

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Egyptian support for Jordan's King Hussein, the only Arab leader who has been willing to risk preparing the groundwork for peace negotiations with Israel, and Mubarak's efforts to promote reconciliation between the PLO and Jordan are a positive contribution to building an Arab consensus for peace. Egypt also brings with it unique experience in peacemaking with Israel that could prove useful in working out the modalities of peace talks.

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The Iran-Iraq War

Bereft of a strong Arab protector, the vulnerable Gulf states seek reassurances that Egypt will assist them in a military crisis and hope that a united moderate

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Arab group can press Syria to quit supporting Iran. Although a unified Arab position against Iran may not change Tehran's warfighting strategy dramatically, it would remove an important element in Iran's capability to exploit and justify the war. It might also discourage Iranian meddling in Lebanon.

Radical-Moderate Balances in the Middle East
Egypt's return to the Arab fold could significantly diminish the radical Arab states' influence on regional issues. Syria has been able to exploit Egypt's absence from the Arab League quite successfully, playing up its stand as the leading confrontation state—its major claim to prestige in the Arab world—and exploiting its ability to intimidate the wealthier, but weaker Gulf states. Because Arab League decisionmaking has an informal requirement for consensus, Syria, together with frequent allies Libya, South Yemen, and sometime ally Algeria, has been able to wield a veto on every sort of important resolution.

protection for the Gulf states would be significant in light of its size and its historical role of Arab political and cultural leadership.

Indicators

The realization of this scenario would require some highly improbable events to occur, but in the Middle East, dramatic shifts are not rare. In this case, Syria and Saudi Arabia would have to play key roles.

It is conceivable that Syrian President Hafiz al-Assad might go along with the moderate Arabs and tolerate Egypt's return to the Arab League if:

- He calculates that Syria's economic situation is so desperate that it threatens the survival of his regime.
- He is satisfied that Mubarak will not embarrass him by playing up Egypt's Camp David ties.
- He becomes fed up with Iranian interference in Lebanon and fearful that Iran is close to victory over Iraq.

Syrian acceptance is the most problematic factor because it would run counter to Assad's previous hard line. Moreover, Syria has benefited from Egypt's absence from the Arab League and has wielded disproportionate influence, enhanced by Iraq's preoccupation with Iran. Egypt, Iraq, and Syria have traditionally been the leading Arab powers.

With Egypt as a full-fledged player, Syria's ability to intimidate the Gulf states and the immediacy of the Iranian threat could be visibly reduced. The Arab League might become an institution with a positive role in facilitating united Arab positions, decreasing inter-Arab tensions, and coping with external threats such as the unresolved Arab-Israeli conflict and Iranian adventurism. It might also be better equipped to influence the Iraqi path of postwar development to ensure continued moderation.

Egypt might also be willing to help the Gulf states with domestic security threats as well as step up its assistance to North Yemen, where it has long had interests.

—its willingness to pledge

Saudi Arabia would have to break with its traditional low-key approach and be willing to adopt higher visibility than it has in recent years, most notably since King Fahd's frustrations in promoting the Fez agreement in 1982.

The Gulf states—already economically hard pressed—would also have to be willing to pay a substantial financial price to Assad for dumping Iran.

The actions of other Arabs will also affect the prospects for Egyptian reintegration. Algeria would have to be convinced that Egyptian readmittance would not prejudice the Palestinian struggle to wring a satisfactory settlement from Israel. The Palestinians would have to find a way to accept Egyptian reentry and rationalize Cairo's Camp David ties. The remaining Arab League members would probably go along with the majority.

Impact of Readmission on Egypt

Given Mubarak's insistence that the Arabs accept Egypt on its own terms, he is not likely to make concessions in return for reinstatement. He has always maintained that the Arabs need Egypt more than Egypt needs the Arabs. For their part, the moderate Arabs appear ready to accept Egypt without troublesome strings. They want guarantees about Egyptian security assistance for the Gulf and seem willing to accept Cairo's vague promises, although it is not clear how much they will be willing to pay.

Moderate Arab Expectations of the United States Arab success in unifying in preparation for peace talks would place a heavy onus on Washington and Tel Aviv to be prepared to go forward. Relations with the United States might be endangered if the Arabs perceive that Washington is not prepared to follow through on its commitments to facilitate progress toward peace in the Middle East and support moderate elements in the region. They will regard US readiness to bring Israel into negotiations alongside Palestinian and Arab participants as a test of US integrity.

Second, the absence of an active US effort to facilitate a full-fledged peace process to include all affected parties would leave the field open to Moscow. Moscow would like to be regarded as a key player by virtue of its status as a superpower allied with Syria

and the PLO and its diplomatic support for the Arab side against Israel, and it could play a spoiler role if it is not at least formally included. The moderate Arabs believe that, if they act jointly, they can contain any Soviet efforts at mischiefmaking during peace negotiations.

Also, US attitudes and actions regarding the Iran-Iraq war will be carefully watched, especially after the revelations about US military aid to Iran. The Gulf Arabs need the promise of a US security umbrella and expect it to be there, if only because they perceive security for oil export routes to be in the Western interest. They recognize that US strategic interests may require contact with Tehran, but they fear the full implications of an Iranian victory over Iraq are not appreciated in Washington. The United States can gain much by a reassuring performance in this area.

Egypt will also be looking for US actions that indicate that Egyptian and moderate Arab interests are being taken into account in Washington's policy deliberations. US statements and actions can make it easy or difficult for Cairo to play the role of moderate balancer in the Arab world. This does not mean that the moderate Arabs will necessarily judge Washington on how it lives up to Cairo's often unrealistic expectations—they are faced with similar expectations. Rather, the Arabs will expect the United States to demonstrate a clear appreciation for the vital role that regional factors play in facilitating or obstructing fundamental Arab goals—primarily peace and economic development in the Middle East.

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Tunisia-France: Military Cooperation and Commitment

b3 Military cooperation between Tunisia and France has historical, cultural, and economic roots that date back to the late 19th century when Tunisia became a French protectorate. During this 75-year period, Tunisians served in the French armed forces, fighting in both World War I and II, and after Tunisian independence in 1956 the French helped the Tunisians form their own armed forces. Since then, French military influence has continued primarily in the form of military assistance. The influence of years of French military tradition and assistance can be seen today in virtually all aspects of the Tunisian armed forces.

b3 Despite this long military relationship, there is no formal defense pact or security agreement between the two countries. Tunis depends on French military assistance and friendly relations to help it maintain credible deterrence against both internal and external threats, short of a full-scale invasion. Under President Bourguiba, Tunisia has built a modest military establishment with limited combat effectiveness. Yet compared to the other North African militaries, particularly Libya's, the Tunisian armed forces are both greatly outnumbered and underequipped. This military disadvantage has forced Tunis to depend ultimately on several Western powers, including France, to guarantee its security during regime-threatening crises. Tunisia's requests for military support and assistance from France during past crises, such as the Libyan-backed raid on Gafsa in 1980, the expulsion of Tunisian workers from Libya in 1985, and the threat of a Libyan invasion following the US airstrike on Libya last year, illustrate this dependency.

b3 b3 The French Commitment: A Tacit Agreement Tunis traditionally has sought assurances from Paris that it would extend military support during crises that threatened Tunisian security. Paris usually has responded cautiously with public statements of support and limited military moves.

Tunisia relied heavily on French support during the most serious external threat the government has faced to date, the Libyan-backed raid on Gafsa in 1980.

b1 b3 When Tunis broke diplomatic relations with Tripoli over Libya's expulsion of expatriate Tunisian workers in the summer of 1985, Tunis again sought French assurances of military support in response to possible Libyan military reactions.

b1 b3 Paris nonetheless publicly reiterated its friendship and support and stationed a naval vessel off the Tunisian coast.

b3 Following the US airstrike on Libya in April 1986, then Prime Minister Mzali met with French Prime Minister Chirac in Paris and later in Tunis to explore French support in the event of a Libyan reaction against Tunisia.

b1 b3 b1 b3 Chirac publicly stated that France considered Tunisia an "ally" and would stand by it if it were the victim of aggression from anyone, a clear reference to Libya.

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Military Cooperation

Since independence in 1956, Tunisia's armed forces have relied on French military assistance to help them develop and maintain a credible deterrence. This has included training by French instructors in both Tunisia and France, joint military exercises, purchases of French arms and equipment, and grant aid from Paris. More visible, but less tangible types of cooperation have been high-level visits and naval port calls. Although the level of French military assistance to Tunisia has declined over the past few years,

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The training of Tunisian military personnel by French instructors has been an important aspect of French military assistance.

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The training ranges from advanced courses at the War College to basic maintenance courses.

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Another important area of cooperation has been joint exercises, which provide valuable training experience for the Tunisians.

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One aspect of French military assistance to Tunisia that has declined steadily since the beginning of this decade has been arms sales. Tunisia's ability to purchase arms from the French has been limited by economic constraints—in both Tunis and Paris. The last major Tunisian purchase of French military equipment occurred in 1981 for the three La Combattante IIIs—with Exocet missiles—that were delivered in 1985. The only subsequent agreement came the following year and amounted to less than \$1 million.

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Tunis, however, is still interested in purchasing equipment from France despite its continuing budgetary problems.

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cornerstone and a force for moderation in the Mediterranean basin—almost certainly assure the continuation of cooperation, although economic constraints on both sides will limit programs. Likewise, Tunisia's reliance on France during threats to its security and France's strong commitment to Tunisia's security also should continue, even in the post-Bourguiba era. (C N+)

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Yet another element of Tunisian-French military cooperation has been fairly regular high-level military visits that are primarily symbolic demonstrations of political support. They almost always increase during a crisis. Over the past several years French visitors have included the Army and Navy Chiefs of Staff, the Director of External Intelligence, and the Chief of Naval Operations. For their part, the Tunisians often make return calls.

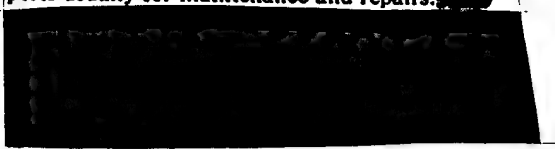


Although these visits do not always provide tangible benefits to the Tunisian military, their visibility helps demonstrate Tunisia's close military cooperation with France.

Like high-level military visits, French Navy port visits demonstrate military cooperation between the two nations.

As well as an opportunity to show the flag, French ship visits provide an opportunity for joint naval exercises, and, during a crisis, French ships have patrolled the Tunisian coast.

Tunisian ships have also visited French ports usually for maintenance and repairs.



Outlook

Tunisia's military relationship with France is unlikely to change significantly in the immediate future. Tunis's longstanding reliance on Paris for military assistance and Tunisia's strategic importance to the French—Paris views Tunisia as a strategic

Paris, [redacted] wants to maintain influence in Tunisia by keeping a high-level presence there. [redacted] France must provide financial support and be prepared to make some military gestures, such as naval deployments, to assure Tunisia of France's commitment to its defense and to warn its neighbors, particularly Libya, against attacking [redacted] France would do whatever is necessary to ensure a peaceful, moderate transition in Tunisia, including increasing its aid and military presence to demonstrate support for a legitimate government [redacted]

Paris, however, would be reluctant to meddle openly in the Tunisian political scene and open itself to charges of neocolonialism. If Tunisia called on France for defense against outside aggression, France probably would commit troops, but only if the advent of an unfriendly government seemed otherwise unavoidable.

[redacted] a post-Bourguiba government will maintain a pro-West or at least nonaligned orientation and will continue to look to Paris and other Western powers for assistance and ultimately a guarantee of its security. It is possible that a new Tunisian leadership would try to lessen its dependence on France by turning to other Western nations and possibly nonaligned nations, but this could not be done overnight. Tunisia's long relationship with the French military and government would make it difficult and probably costly to end the relationship.



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Syria: Retaking the Golan Heights (C NF)

Economic problems have complicated but not halted President Assad's campaign to attain strategic parity with Israel. He continues to emphasize military spending and to develop plans to reconquer the Golan Heights.

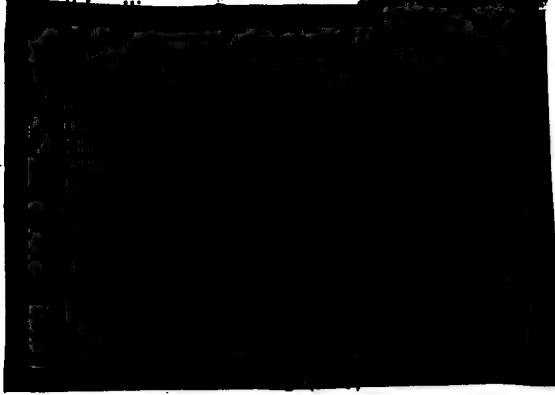
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heliborne assaults to seize bridges over the Jordan River and prevent the Israelis from reinforcing the Heights. (U)

Since the Israeli invasion of Lebanon in 1982, Damascus has revised its strategy.

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Strategy

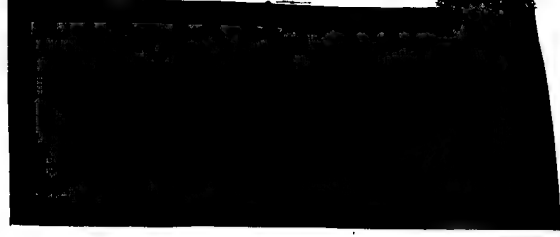
President Assad would go to great lengths to arrange the opening of a second front against Israel, but the absence of Egypt and Jordan from the ranks of the confrontation states probably would not deter Syria from attacking Israel alone. The absence of allies would give Damascus wide latitude in developing its attack plan and probably would increase the odds of attaining surprise. As a result, Syria would avoid the pitfalls of alliance politics that hampered the 1973 campaign and might enhance its chances of retaking the Golan Heights.

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According to [redacted] accounts by [redacted] military experts, Syria planned to achieve a limited military victory over Israel in 1973, whereas Egypt wanted to attain a political victory by crossing the Suez Canal and holding a limited amount of territory in the Israeli-held Sinai Peninsula. The process of reconciling conflicting strategies and coordinating moves led Damascus to modify its plan of attack. In response to Egyptian pressure, Assad agreed to move the start of the assault from dawn until midafternoon—facilitating crossings of the canal but reducing the daylight available for his forces to press their initial assault. Possibly because of growing distrust of Egypt and fear the offensive would fail, Syria decided to remove one of its two armored divisions from the second echelon and hold it as part of its strategic reserve. Damascus also elected to forego

their on-again, off-again talks with President Gemayel and other Lebanese leaders, the Syrians have sought an agreement that would legitimize Syrian direction of Lebanon's foreign policy and control of its armed forces. Damascus also has sought to enhance its control over radical Shia and Palestinian groups operating in Lebanon.

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Achieving Surprise

After Syria's dismal performance in the 1967 war,

According to unclassified reports by Israeli and Syrian military experts, Assad instigated a number of "battle days" starting in late 1972 to buttress Syria's standing in the Arab world.

In late September 1973 the Israelis shot down a number of Syrian MIG-21s in an air clash off the Syrian coast.

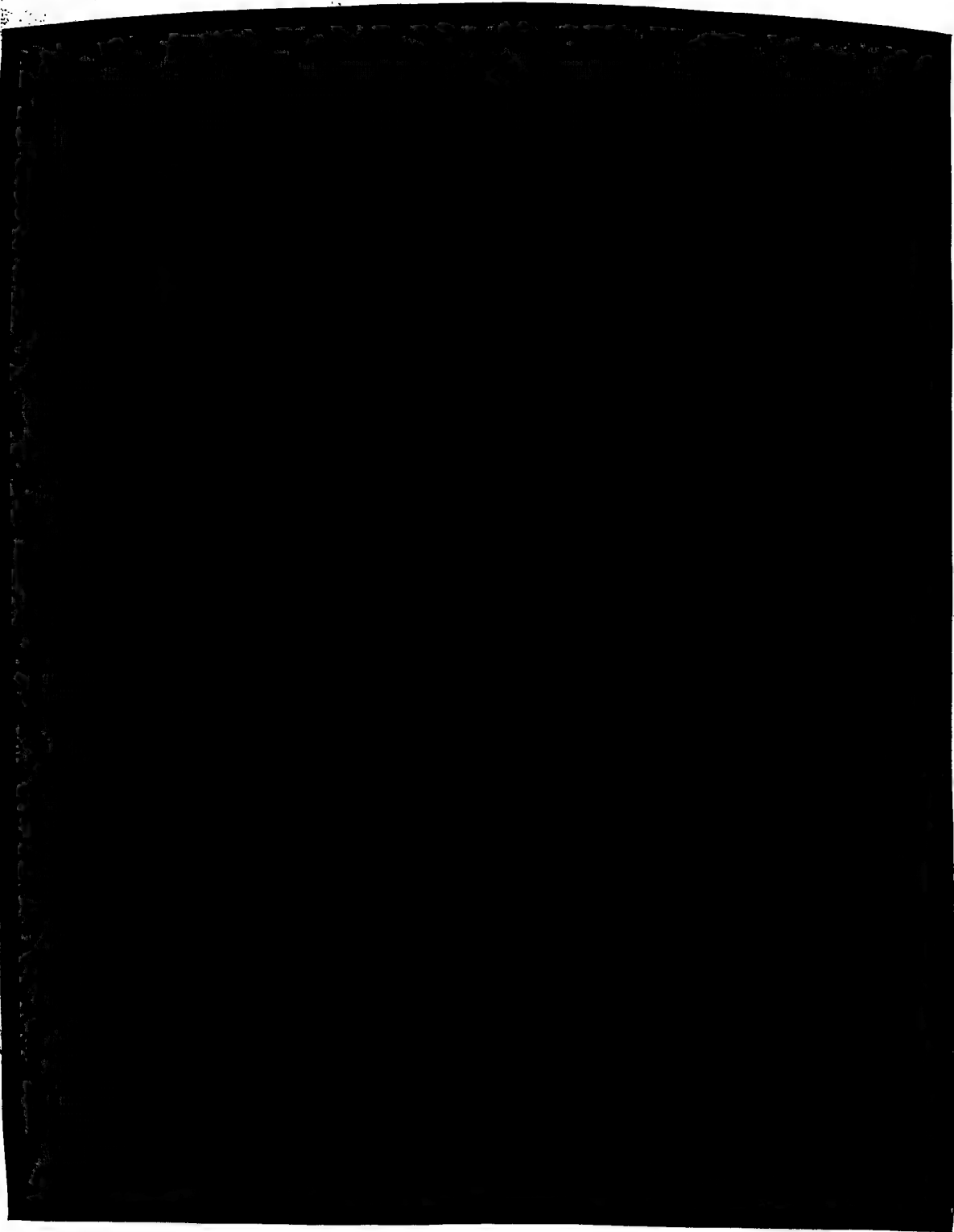
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Outlook

Although President Assad has made great strides in building up Syria's forces in the last few years, he generally weighs risks and benefits carefully and almost certainly sees an attempt to recover the Golan Heights as a bold gamble. Assad would prefer to regain this territory peacefully, but he almost certainly perceives the odds are slim that meaningful talks will ever occur. Despite Syria's economic woes, Assad probably sees the use of military force—or at least the threat of military force—as his only viable option.

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Syria: Attitudes Toward South Lebanese Resistance

Syria seeks to legitimize its claims to be a confrontation state by supporting politically and materially anti-Israeli resistance in South Lebanon, but Damascus's long-term goal is probably geared more toward modulating violence in the south than stabilizing or inflaming the security situation along the Lebanese-Israeli frontier. The divergent political goals of the various resistance groups have frequently pitted them against each other and in some instances against Syria. Despite their ostensible common goal to oppose Israeli occupation, Damascus has sought to eliminate or contain groups such as the PLO and Hizballah whose agendas clearly conflict with its own while actively promoting allies and surrogates such as Amal and the Lebanese leftist groups.

Syria's confluence of interest with Israel—to remove PLO fighters from South Lebanon—may allow Damascus the option to use direct military force to eliminate Arafat supporters there. Fatah has flourished in the no man's land between Syrian and Israeli forces and is perceived by both sides as perhaps the greatest menace to their respective security interests. Damascus will ultimately try to pass the mantle of Palestinian resistance to pro-Syrian Palestinian groups whose activities it can more easily control and which it can use against renegade Lebanese militias in the south.

For now, Damascus probably does not expect to have a permanent military presence in the south, which Israel in any event opposes, but Syria will attempt to maintain loose control over the militias that operate there. Limited Syrian control allows Damascus discretion in directing and controlling Lebanese resistance against the security zone, while the groups' seeming autonomy insulates Syrian forces from retaliation by Israel. Syria closely identifies itself politically with the resistance to garner prestige among its fellow Arabs as the champion of frontline confrontation with Israel.

The Resistance in Syrian Eyes

Syria believes that its strong association with the Lebanese resistance legitimizes its claim that it stands alone among the frontline states in confronting Israel, albeit by proxy. Syria has taken an increasing role in orchestrating the activities of resistance groups, particularly leftwing militias in the Lebanese National Resistance. As the Syrians reestablished their preeminence in Lebanon in 1983-84, leaders of most leftist militias accepted the practicality of subordinating their interests to Syria. In exchange for their loyalty, Damascus offered them a secure source of arms, training areas, reduced vulnerability to larger militias, and a greater role in a reconstituted Lebanese government.

Syrian propaganda has capitalized on Damascus's control of the leftwing militias by casting President Assad as the inspiration for the resistance. Damascus has stepped up indoctrination among leftist youth through the Ba'th Party.

Suicide car bomb attacks against Israeli and Army of South Lebanon positions in recent years have been accompanied by videotaped broadcasts by the attackers in which they praise Assad's leadership and extol the virtues of Ba'thist socialism.

A substantial segment of resistance in the south—perhaps the majority—falls outside Syrian control, however, and, although Damascus formally endorses its activities in the Israeli-controlled security zone, its growth poses a challenge to Syria's goals in Lebanon. Fatah forces loyal to Yasir Arafat and pro-Iranian Hizballah militias in South Lebanon maintain political agendas that conflict with Syria's and have publicly disassociated their accomplishments from

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The Lebanese Resistance Movement in the South

primacy in Lebanon

Syria sought to subordinate these groups by forcing them to sever political and financial ties to Libya and the PLO while compelling their leadership to take direction from Damascus. These actions have created resentment within many Lebanese National Resistance groups.

The Lebanese National Resistance was the first group to emerge in July 1982 with the purpose of undertaking resistance operations against occupying Israeli forces. The Communist Action Organization and the Lebanese Communist Party were its founding organizations, later joined by the SSNP and the Arab Socialist Action Party. Initially these groups coordinated their operations—usually small-scale guerrilla attacks and car bombs—but in the last two years they have generally operated independently. From 1982 to 1984 Amal elements participated with the Lebanese National Resistance in many operations. Many groups in the Lebanese National Resistance have also coordinated operations with pro-Syrian Palestinian groups.

The administration and operations of many groups in the Lebanese National Resistance have increasingly come under the sway of Syria as it has reasserted its

Damascus. These groups have also sown discord among some of Syria's reluctant Lebanese allies who resent Damascus's suzerainty.

Reordering the South

Syria's inability to project military force into South Lebanon—due to Israeli deterrence—has created a number of liabilities for Damascus:

- Fatah fighters evicted from the south and Beirut after the 1982 Israeli invasion have slowly reinfiltrated these areas following the Israeli withdrawal to the present security zone. As a result of the Assad-Arafat estrangement, these fighters

pose a political and military obstacle to Syrian efforts to impose its security plans and political reforms in Lebanon. The PLO has also antagonized the Syrians by seeking alliances with Lebanese groups that have long chafed under Syrian domination. Syria's attempts to oust the PLO through its main Lebanese ally Amal have been largely ineffective. They have strained Damascus's relations with moderate Arabs and the Soviets and damaged the credibility and prestige of Amal among segments of its leadership and its Shia constituency.

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• Although Syrian forces are trying to counter Hizballah's growth in areas it directly controls, namely West Beirut and the Bekaa Valley, the same does not apply for South Lebanon. The chaos of South Lebanon provides fertile ground for the proliferation of militant Shiism as represented by the Hizballah. The pro-Iranian Hizballah can proselytize freely among Shias in the south, advocating an Islamic republic that undermines Syrian efforts to impose a secular political order in Lebanon which it can more easily control in the future. Amal has lost popularity among the Shias of the south in part because it is identified so closely with Syrian interests and also because Hizballah has been more militant in its opposition to Israeli occupation.

Redline Agreements Unlikely

Syria's move into West Beirut in February 1987 and its partial crackdown on Hizballah and Palestinian elements have raised expectations that Syrian forces will head south to challenge the PLO presence in Sidon.

A more comprehensive, although much less likely outcome of identifying redlines for the purpose of satisfying the two countries' mutual interests would be to allow a large-scale deployment of Syrian troops to resolve the dual problem of PLO infiltration and Hizballah growth.

Abandoning the Issue Also Unlikely

If Syria believes there is no prospect of directly resolving its problems in the south, it may consider isolating the south and consolidating its gains throughout the rest of Lebanon. Such a move could have the following benefits:

- The Syrians could isolate the south from the rest of Lebanon in the hope that a policy of neglect will have painful repercussions for Israeli security interests. By divorcing itself from responsibility for the south, Syria may hope to insulate itself from retaliation for violence spilling over into northern Israel.

- If Syria can put distance between itself and the turmoil in the south, while maintaining order throughout the rest of Lebanon, it will lend credibility to its claims that it is a stabilizing influence in Lebanon. Moreover, the Syrians may be able to trade cooperation on security in South Lebanon at any future peace talks with Israel for concessions elsewhere, specifically the Golan Heights.

On the other hand, isolating the south is difficult in practice and would have these liabilities:

- Isolating the south would undermine Syria's image as the patron of Lebanese resistance to Israeli occupation.
- Monitoring and preventing the infiltration of Hizballah into other Shia areas of Lebanon would be impossible without a substantially greater Syrian military presence. Hizballah and/or the PLO could fill the power vacuum in the south by eliminating pro-Syrian militias and possibly use the south as a staging area against the Syrians.

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Finally, autonomy for the south may encourage other militias to seek similar terms from the Syrians for their own political enclaves. **b3**

And UNIFIL?

Syria will continue to support the extension of the UNIFIL mandate and probably believes that on balance it poses a greater deterrent to Israeli counterinsurgency than to Lebanese insurgency.

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b3 Moreover, Damascus probably believes Israeli and ASL frictions with UNIFIL soldiers strain Tel Aviv's relations with the United States, since member nations contributing to UNIFIL are close US allies. **b3**

Outlook

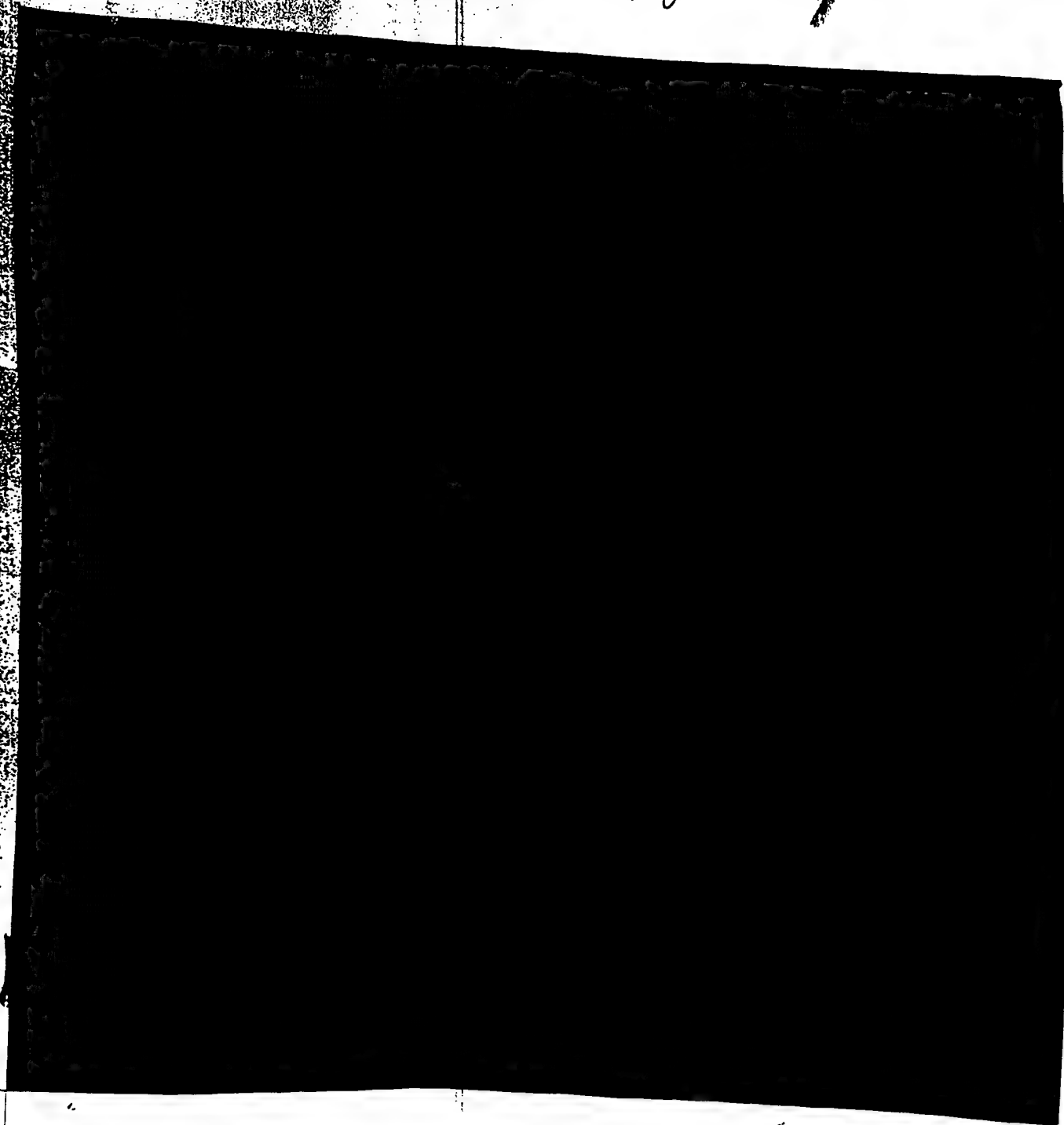
b3 For now, Syria appears to be seeking the middle ground where it can use surrogates to fight its battles in the south while maintaining a degree of deniability for its actions. **b3** is supplying arms to Amal to carry out an assault on the PLO in Sidon. Amal has also stepped up attacks against the security zone to reassert its credentials as a major player in Lebanon. As Syrian pressure mounts in Beirut, Damascus will probably encourage both Amal and Hizballah to redirect their militant actions against the south. **b3**

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[REDACTED] Damascus wants to control events in the south to the extent that it can direct violence against the security zone without it spilling over into Syrian-controlled areas. Syria will try to attain this control in part by promoting its surrogate Lebanese and Palestinian militias to counteract the power of resistance renegades (Fatah and Hizballah). With such control, Syria would have the option to draw Israel into conflict in South Lebanon at any time of Assad's choice to derail peace efforts that Syria does not control. **b3**

[REDACTED] Damascus probably hopes to simultaneously project an image as peacekeeper through its efforts to broker political reform among Lebanon's feuding factions. **b3**

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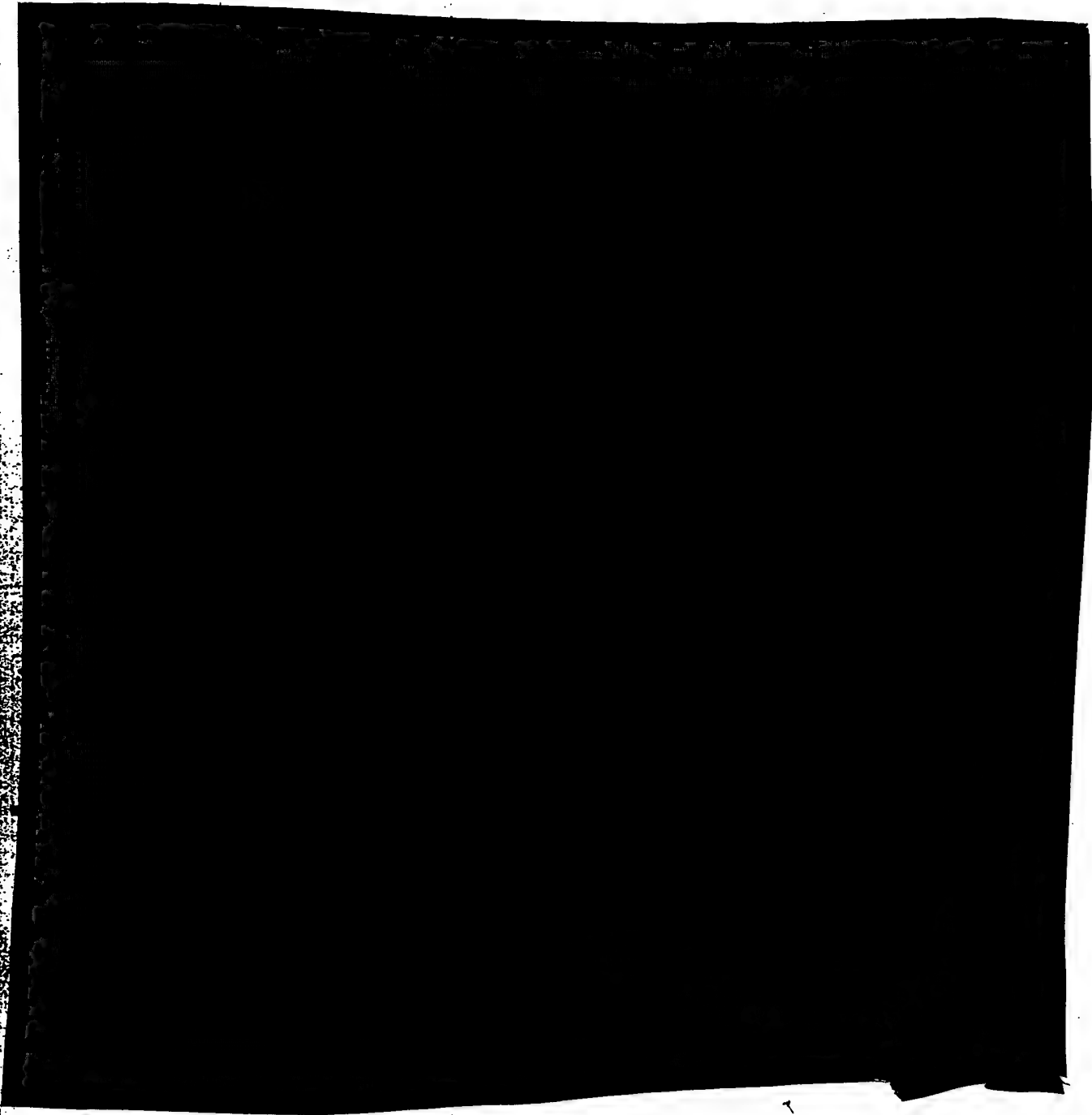
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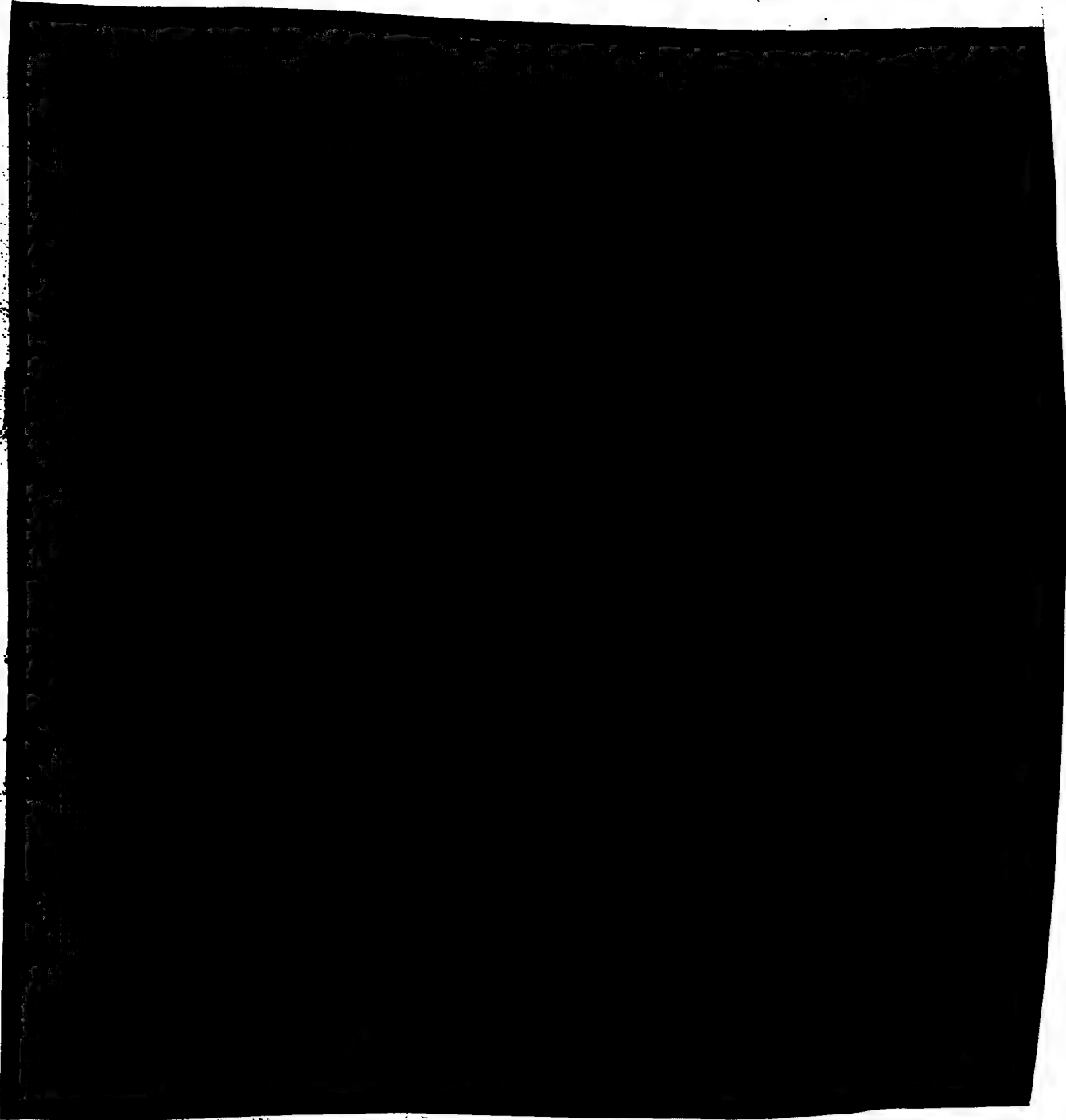
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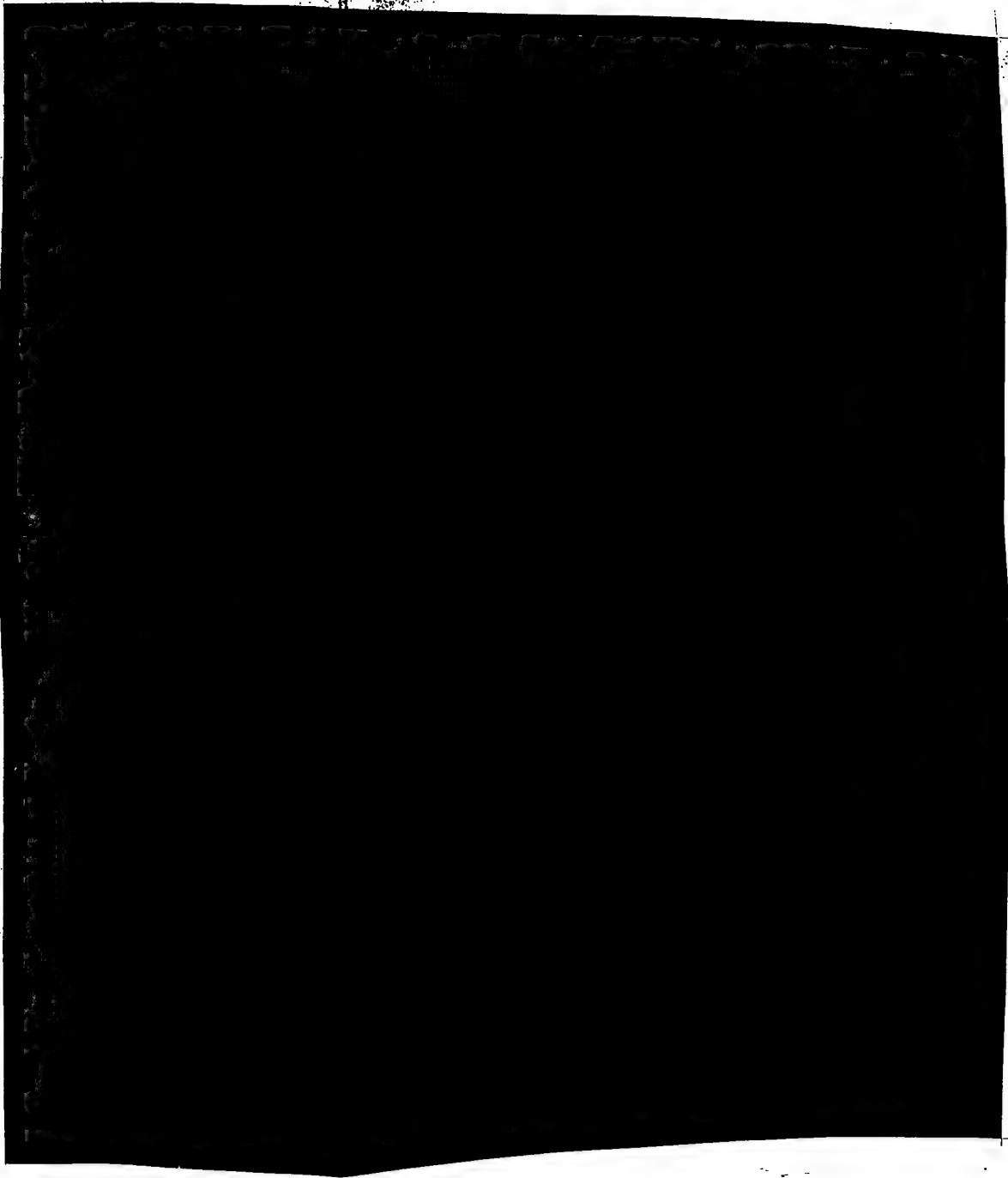


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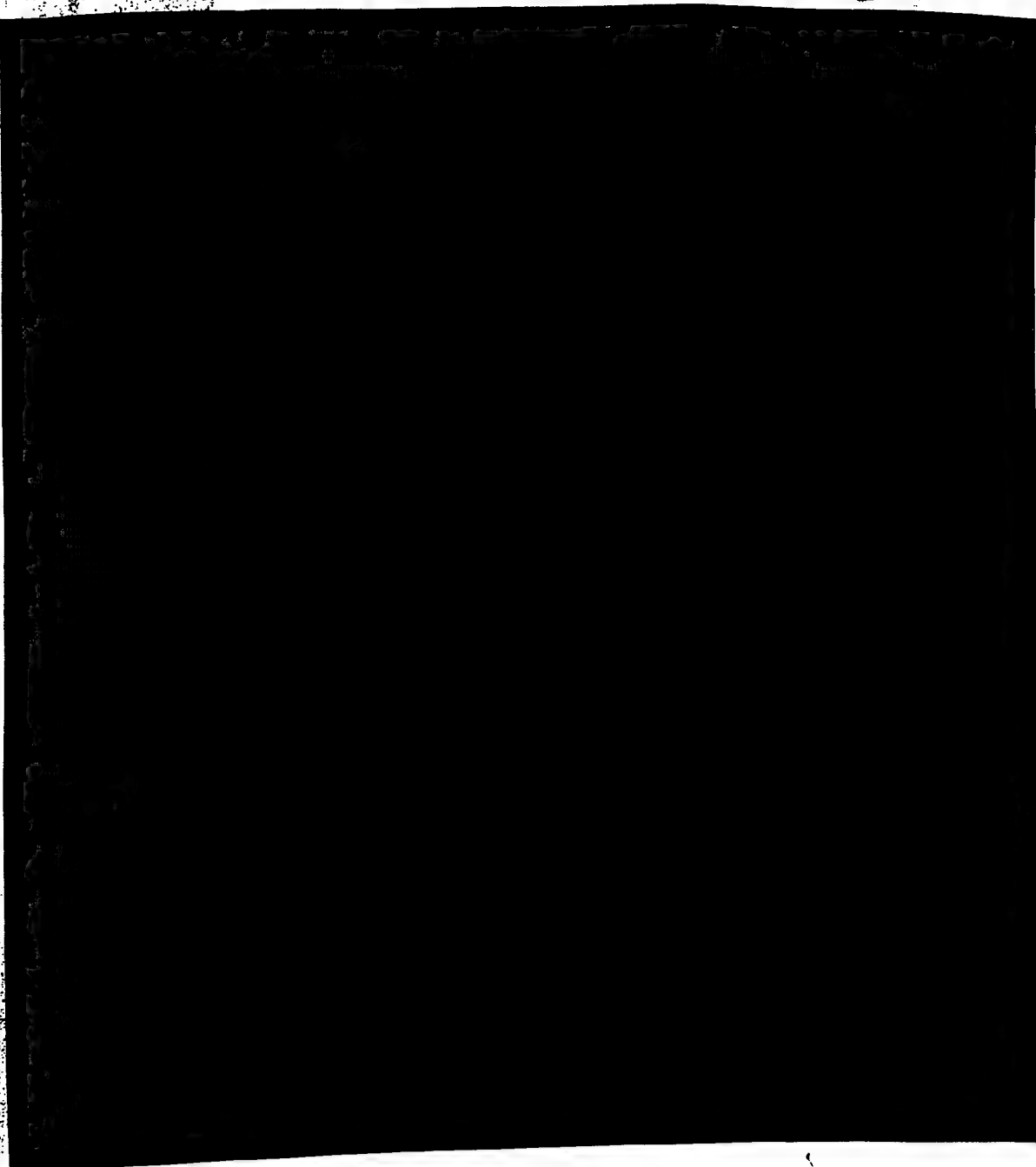


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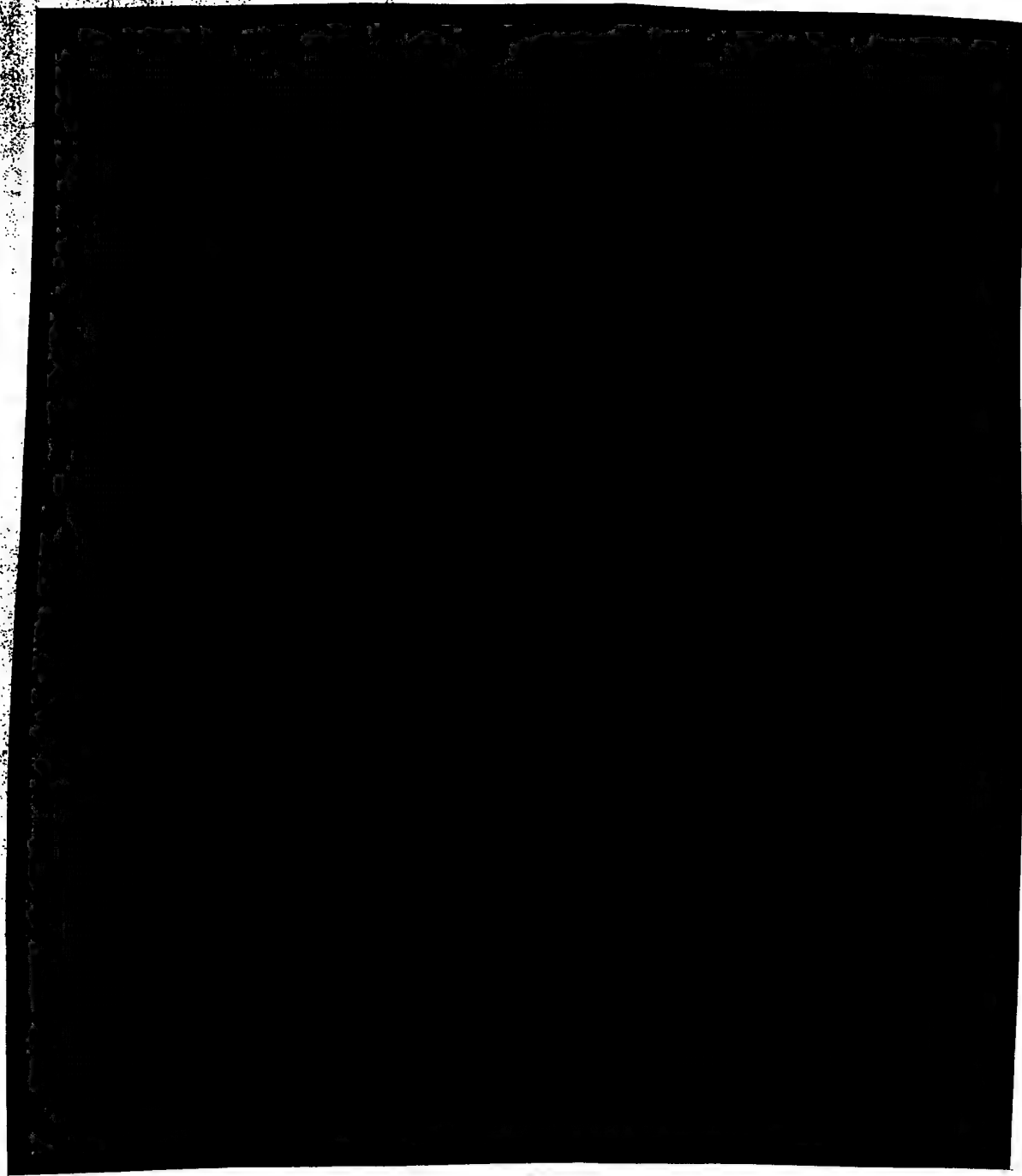
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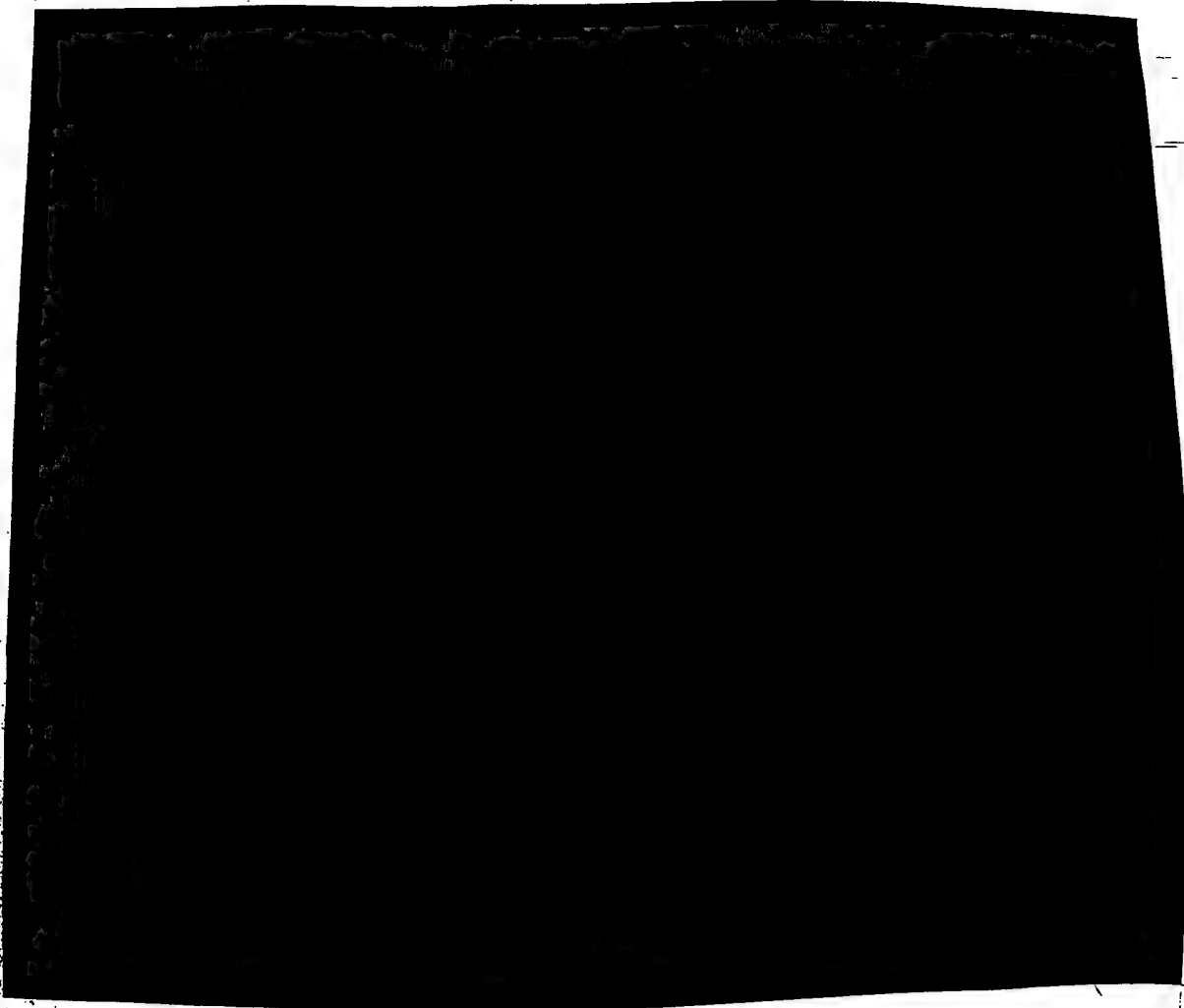
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Bahrain: Living With Less

Bahrain's service-oriented economy has limited prospects for growth in the near term because of the continuing recession in the Persian Gulf. Growth will probably be insufficient to maintain living standards among the island's underprivileged Shia majority. As the disparity of wealth grows, the Sunni elite will face increasing pressure to broaden economic and political opportunities. Failure to accommodate growing discontent among youth, the economically disadvantaged, religious fundamentalists, or the large foreign labor force will create the potential for internal instability or external meddling over the long term. Domestic instability could threaten US military access to the island as well as other US interests in the Persian Gulf.

Dependence on Oil

Bahrain's economy is showing signs of stress as it weathers the third consecutive year of the Gulf recession. Although a small oil producer by regional standards—about 110,000 b/d—petroleum production and processing account for 86 percent of export receipts, 62 percent of government revenue, and 29 percent of gross domestic product. Soft oil market conditions helped to halt real GDP growth over the past three years in sharp contrast to the 5-percent average annual growth of the previous three-year period. The slowdown in economic activity, however, doused the raging inflation of the 1970s.

Manama's trade position has mirrored oil market trends. Declining oil export receipts have wiped out Manama's substantial trade surplus since 1983. Even the sharp improvement in net services resulting from the growth of investment receipts was barely sufficient to keep the current account in balance. Cuts in imports, especially industrial goods, trimmed trade losses, but the corresponding decline in domestic

construction activity curtailed demand for Bahrain's aluminum industry—a key source of jobs and GDP. Bahrain's overall trade position has been made worse since 1984 because Manama's currency and oil exports are pegged to the US dollar, which has declined 40 percent against the currencies of major trade partners.

The crisis in the oil sector is threatening Bahrain's important banking industry. Financial services have been encouraged by the government as a chief engine of growth for the future and as an alternative revenue source to compensate for dwindling oil resources. The stock market crash in Kuwait in 1982 and soft oil market conditions since 1980, however, have taken a heavy toll on bank loan portfolios.

Government efforts to stem the bank crisis have been too little, too late. Additional measures to redress the bad debt problem probably will be slowed because substantial amounts of these loans are to wealthy and influential Bahrainis or Gulf investors.

Changes in oil income have had an immediate impact on government spending and long-term development planning. Despite expenditure cuts of up to 15 percent annually since 1982, Manama has faced chronic budget problems. Cuts have come mostly in spending for manpower and capital development. As a result, government wages have been trimmed, and many projects under the 1982-86 development plan have been postponed or canceled. In December the government began selling treasury bills to help ease

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Bahrain: Current Account Balance

Million US \$

	1982	1983	1984	1985	1986	1987
Trade balance	657	252	11	-15	-18	170
Exports, f.o.b.	3,696	3,119	3,083	2,781	2,309	2,570
Oil	3,145	2,586	2,712	2,442	1,980	2,230
Nonoil	548	532	371	339	330	340
Imports, f.o.b.	3,036	2,867	3,072	2,796	2,327	2,400
Net services	182	-177	-187	41	80	95
Worker remittances	331	-300	-346	-404	-420	-425
Current account balance	475	75	-176	26	62	265

* Estimated.

* Projected.

* Assumes average crude oil exports of 110,000 b/d at \$16.50 per barrel.

the revenue shortfall. So far domestic financial resources have been sufficient to fund the budget deficit. A negligible debt service burden and substantial foreign investments give the government some leeway to deal with revenue shortfalls and urgent development priorities.

Growing security concerns over the Iran-Iraq conflict and the border dispute with Qatar threaten to increase budget woes.

The overall price tag, which probably will be much higher than currently projected, is large relative to Bahrain's \$5 billion GDP and \$1.5 billion in financial exchange reserves. Moreover, most of the spending will occur over the next five years when oil revenues are likely to remain depressed. As a result, Manama will have to shave spending on domestic development and subsidies even more to keep budget deficits at current levels. Saudi Arabia probably will finance much of the new arms package and provide additional aid, but Manama will be hard pressed over the next several years to meet payment commitments to the United States for arms deliveries.

Domestic Repercussions

The burden of austerity has not been equally shared. The expatriate community has suffered the most from manpower and development spending cuts. We estimate that the size of the expatriate community has declined by about half since 1980, with about 50,000 foreign workers remaining in Bahrain. Expatriates continue to provide a variety of necessary services to the economy and fill positions either unacceptable to or unfillable by domestic workers. Although the foreign community has been politically quiescent, it could cause problems if faced with further job losses or deteriorating living standards. The problem could become acute in the military where expatriates account for as much as 30 percent of the rank and file.

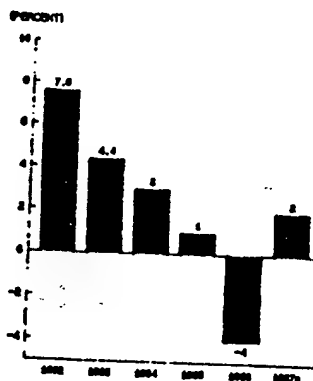
Bahrain's Shia majority—70 percent of the population—also bears the burden of the country's economic woes in disproportion to their numbers. The government specifically excludes Shias from military duty and sensitive public-sector jobs and sees to it that private industry does the same. As a result, Bahraini Shias have the highest rate of unemployment. The Shia community remains divided and lacks a single

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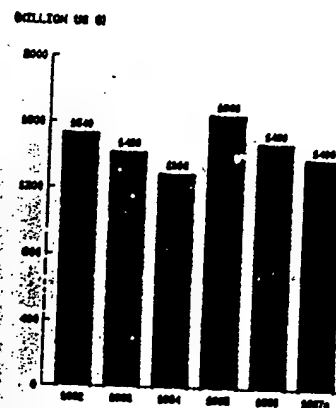
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BAHRAIN ECONOMIC INDICATORS 1982-1987

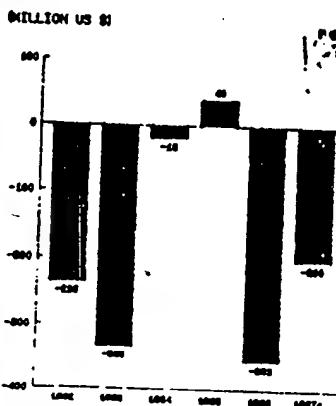
REAL GDP GROWTH



b
FOREIGN EXCHANGE RESERVES



GOVERNMENT
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The Bahrain-Qatar Dispute

The dispute between Bahrain and Qatar over the Hawar Islands is heating up.

Bahrain's claim to the barren islands follows from a decision by the British political resident in 1936, but both Manama and Doha have historical claim to the territory. The islands have little immediate economic value to either state beyond their strategic position off Qatar's west coast. Preliminary oil exploration by the Bahrain Petroleum Company gives little indication of exploitable oil reserves. Nevertheless, the islands lie directly north of Qatar's Durkan gasfield, leading [redacted] to speculate that commercial quantities of hydrocarbons exist. If Qatar presses its claim to the islands, heightened tensions could flare into a military conflict that would threaten both states' oil facilities and Gulf Cooperation Council unity.

leader figure, although continuing economic deprivation and discrimination could intensify resentment against the government and the Sunni minority and increase prospects for external meddling, especially from Iran. Domestic security forces monitor Shia activities and are capable of quelling local disturbances, but they probably could not contain large-scale Shia demonstrations or coordinated acts of violence.

Outlook

Prospects for Bahrain's economy will remain constrained for the foreseeable future. Bahrain's oil refining arrangement with Saudi Arabia, which provides over \$1 billion in revenue annually, has become unprofitable. The deal allowed Bahrain to refine about 200,000 b/d of Saudi oil under a netback arrangement last year. Riyadh decided to halt oil production for the Abu Saafa offshore field that is shared by Bahrain and Saudi Arabia. Without favorably priced Saudi oil, Bahrain's sole refinery loses up to \$6 per barrel of oil it processes at the official selling price and may be forced to close. The refinery provides over 4,000 jobs—many to Shias—and accounts for a significant percent of GDP. Manama has begun selling its oil directly to customers for the first time, but it probably will continue to suffer until demand for medium-grade Saudi oil improves and Riyadh renews its processing agreement.

More important, Bahrain's small proved oil reserves are not expected to last more than 15 years at current production levels. Although growth in several nonoil sectors probably will help sustain overall positive growth in GDP, the increases will be small and insufficient to boost living standards above current levels. Development will suffer in the constrained revenue environment, and the government probably will have to draw increasingly on foreign reserves and investments to cover expenditures. Coupled with heightened security concerns, the government will be forced to make increasingly difficult tradeoffs between spending on guns or butter.

Prospects for the Amir and the ruling family will be linked to economic conditions unless greater attention is given to broadening economic and political opportunities. Unemployment and underemployment among Bahraini Shias will become

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a contentious issue as the recession continues and wealth disparities become more apparent. At the same time there will be less incentive to share available resources as growth tapers off. New jobs that become available in the services sectors probably will be largely beyond the skills of most Bahrainis and will largely fall to expatriates. Soft oil market conditions will continue to thwart Bahrain's efforts to become the services center of the Persian Gulf.

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Implications for the United States

Bahrain's economic and related political problems over the next several years may threaten vital military and political interests of Washington in the Persian Gulf. The Middle East Forces Command, the naval component of the US Central Command, is

headquartered in Manama. The island serves as a de facto pre-positioning center for CENTCOM military supplies. Moreover, Bahrain is the first Persian Gulf state to receive US F-16 aircraft, which may focus the attention of opposition groups on Manama's close ties to the United States and heighten border tensions with Qatar. Saudi Arabia and the Gulf Cooperation Council probably will help finance Manama's military modernization program, but

Saudi assistance, however, is not certain and could be adversely affected by Saudi mediation of the Hawar Island dispute or increased Shia influence on the island.

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Buying a Holy War: Arab Fundamentalist Support
b (3) [redacted] of the Afghan Resistance [redacted] b3

b3 Arab Sunni fundamentalists have been active for some time in support of the Afghan resistance. The three most active groups are the Saudi-based Wahhabis, the Muslim Brotherhood—mostly from Egypt—and Ahl-i Hadith, an organization originally founded to combat Hindu influences on Indian Muslims. Although members of these groups fight with the resistance, run schools and clinics, and make substantial monetary contributions to the Afghan insurgents, their activities have [redacted] worsened relations between the resistance parties. The groups generally support only those parties and leaders they believe willing to further the fundamentalist platform rather than those who have the broadest support or best fighting capabilities. Afghan fundamentalist leaders Abdul Rasul Sayyaf, Gulbuddin Hekmatyar, and Burhanuddin Rabbani receive the most Arab support, while moderate Islamic leaders such as Ahmad Gailani and Sibghatullah Mojadedi are deliberately undermined. [redacted] b3

b3 The Arab fundamentalist groups actively oppose Western influences in the Afghan resistance. The French humanitarian group Medecins Sans Frontieres (Doctors Without Borders) temporarily withdrew from Afghanistan after a fundamentalist campaign claiming Western volunteers in Afghanistan and the refugee camps were prostitutes and Christian missionaries in disguise. Fundamentalist demands that Afghan recipients echo their anti-West position have added to factional tensions within several resistance parties. [redacted] b3

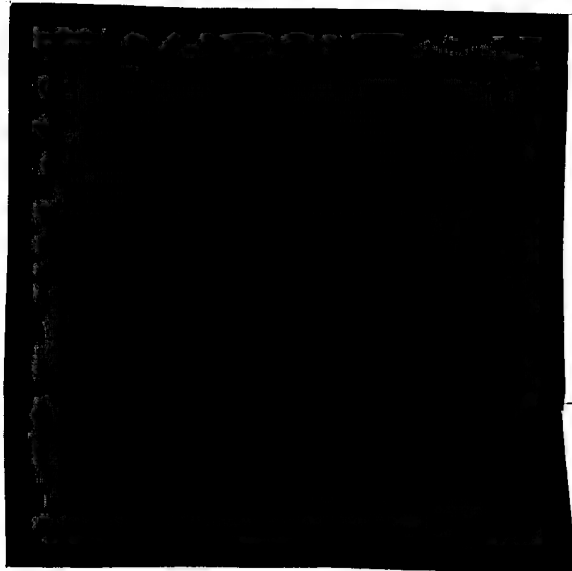
Ties to the Arabs

Many Afghan resistance leaders have longstanding ties to Arab fundamentalist groups—especially the Muslim Brotherhood—growing out of their studies in the Arab world. Burhannudin Rabbani, Sibghatullah Mojadedi, and Abdul Rasul Sayyaf all studied at Al-Azhar University in Cairo and established ties to the Egyptian Muslim Brotherhood during that period.

[redacted] Gulbuddin Hekmatyar's strict party organization and cell structure are modeled on the Egyptian Muslim Brotherhood's "secret organization." [redacted] b3

Wahhabi Missionaries

Wahhabism, the official Islamic sect of Saudi Arabia, teaches strict Koranic interpretation and strongly rejects the Afghan practices of worshipping local pirs (saints) and subordinating Koranic teachings to tribal code. [redacted] b3 Wahhabi missionaries have long been active in Pakistan and Afghanistan, financing religious schools and proselytizing among Pashtun and Tajik students, but have historically won few Afghan converts. Since the Soviet invasion, [redacted] the group has increased its activities both in the Afghan refugee camps in Pakistan and within Afghanistan itself. [redacted] b3



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Afghan Islam

Approximately 75 percent of the Afghan population is Sunni Muslim, with the remainder made up of Shia tribes in the central Hazarehjat, Ismailis in the northeastern provinces, and small groups of Hindus, Sikhs, and Jews in the larger towns. Afghan Muslims adhere to the five pillars of Islam—profession of faith, prayer, charity, pilgrimage, and fasting—but supplement Koranic teachings with a variety of Sufi and pre-Islamic customs. Pirs (saints), and sayyids (descendants of Muhammadi) have special status. Charms from their tombs are believed to protect bearers from the evil eye and Soviet bullets, while tales of local pirs' exploits can exceed those of the Prophet Muhammad himself. b3

Tribal law, especially the "pashtunwali" of the Pashtun tribes, often conflicts with Koranic teachings and Islamic law. According to Islamic law, adultery cannot be punished unless it is observed by four witnesses. For the pashtunwali, rumor is enough because honor is at stake. Women cannot inherit in the Pashtun tribes, although the Koran gives women the right to inherit half the share of men. Divorce, easy for men according to Koranic law, is next to impossible in the Afghan tribes because of the insult

to the woman's family. Vengeance, which Islamic law limits, is considered a virtue and a right in the tribal code. b3

Orthodox Islam is weakly represented in Afghanistan. A rural Afghan's contact with established religion is usually limited to the village mullah, who is usually barely literate and considered of no higher social standing than the village barbers and artisans. Better educated religious leaders trained outside Afghanistan have usually stayed in the larger cities where they have had little influence. b3

Despite the variations from orthodoxy, most Afghans are fervent believers in their own brand of Islam and are deeply offended by suggestions that their practices are incorrect. Herat Jamiat-i-Islami leader Ismail Khan had two Saudi visitors tied to trees and beaten after they called an insurgent funeral un-Islamic. Other Arab donors have similarly alienated aid recipients. Many Afghans interpret any criticism of their faith as a direct attack on their holy war against the Soviets and on their right to live in their own land without outside interference. b3

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Major Arab Fundamentalist Groups Active in Afghanistan

	Sponsorship	Goals
Wahhabi	Saudi, other Gulf governments, official religious establishment.	Strict Koranic law, Afghan cultural purity.
Ahl-i Hadith	Islamic parties in Pakistan and India.	Purifying Afghan Islam of non-Islamic influences.
Muslim Brotherhood	Brotherhood members throughout Middle East, especially Egypt and Syria.	True Islamic government; Afghanistan will serve as example for other Islamic fighters.

b3 [redacted] insurgent commanders within Afghanistan may be the beneficiaries of growing Wahhabi impatience with the parties' Peshawar leadership.

b1 b3 [redacted]

Ahl-i Hadith
Ahl-i Hadith was founded before the partition of India to combat Hindu influences on the Indian Muslim community.

b1, b3 [redacted]

b3 [redacted]

Muslim Brotherhood

b1 b3 [redacted]

Like the Wahhabis, the Muslim Brotherhood advocates a politicized Islam and expects insurgents to accept Brotherhood leadership in return for financial support. The Muslim Brothers often use the Pakistani Jamaat-i-Islami as an intermediary.

b3 [redacted]

b3 [redacted] most of the young Arabs fighting inside Afghanistan are connected with the Muslim Brotherhood, although volunteers often deny connection with any organized fundamentalist-group. Such youths closely echo Brotherhood teachings and are generally referred to by their Afghan hosts as "Muslim Brothers."

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Other Arab Fundamentalist Involvement

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Cairo's concern over the Egyptian fundamentalist group al-Jihad's involvement with Gulbuddin's Hizbi-Islami [REDACTED]

[REDACTED]

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The Afghan Response

Although Afghan resistance groups usually welcome the material support Arab fundamentalists provide and believe it to be all Muslim nations' duty to aid their struggle, [REDACTED] most are angered by attempts to change their version of Islam. Many Wahhabi and Muslim Brotherhood visitors have conducted themselves in a heavyhanded and boorish manner.

[REDACTED]

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The Arab missionaries' naivete has limited their ability to win Afghan respect and acceptance. In the northern provinces, Arabs tried to recruit followers among local pockets of people of Arab descent but were dismayed to learn the locals had lost their Arab identity centuries before and spoke no Arabic. Wahhabi missionaries believed they would find the insurgents in their camps smoking hashish and consorting with French prostitutes (female members of French medical teams).

[REDACTED]

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Insurgents also complain that Arab volunteers spend most of their time drinking tea and bothering fighters rather than fighting the Soviets.

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There has been a small backlash against Arab criticism of Western influence on the Afghan resistance. Mohammad Nabi Mohammadi, head of the moderate Islamic Harakat-Inqilab-i-Islami, has publicly favorably compared the support given by the United States favorably to that provided by "certain Arab groups" and criticized the way Arabs tried to interfere in Afghans' everyday lives. Members of the resistance alliance Educational Curriculum Committee approached the [REDACTED] b1 Development Center for Afghan Education in Peshawar for help after Wahhabi missionaries tried to force the committee to accept textbooks with a strong Wahhabi slant.

[REDACTED]

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Outlook

Arab missionaries' activities have damaged relations between resistance groups. Fundamentalist donors have encouraged aid recipients to increase their opposition to moderate Islamic groups such as Ahmad Gailani's National Islamic Front.

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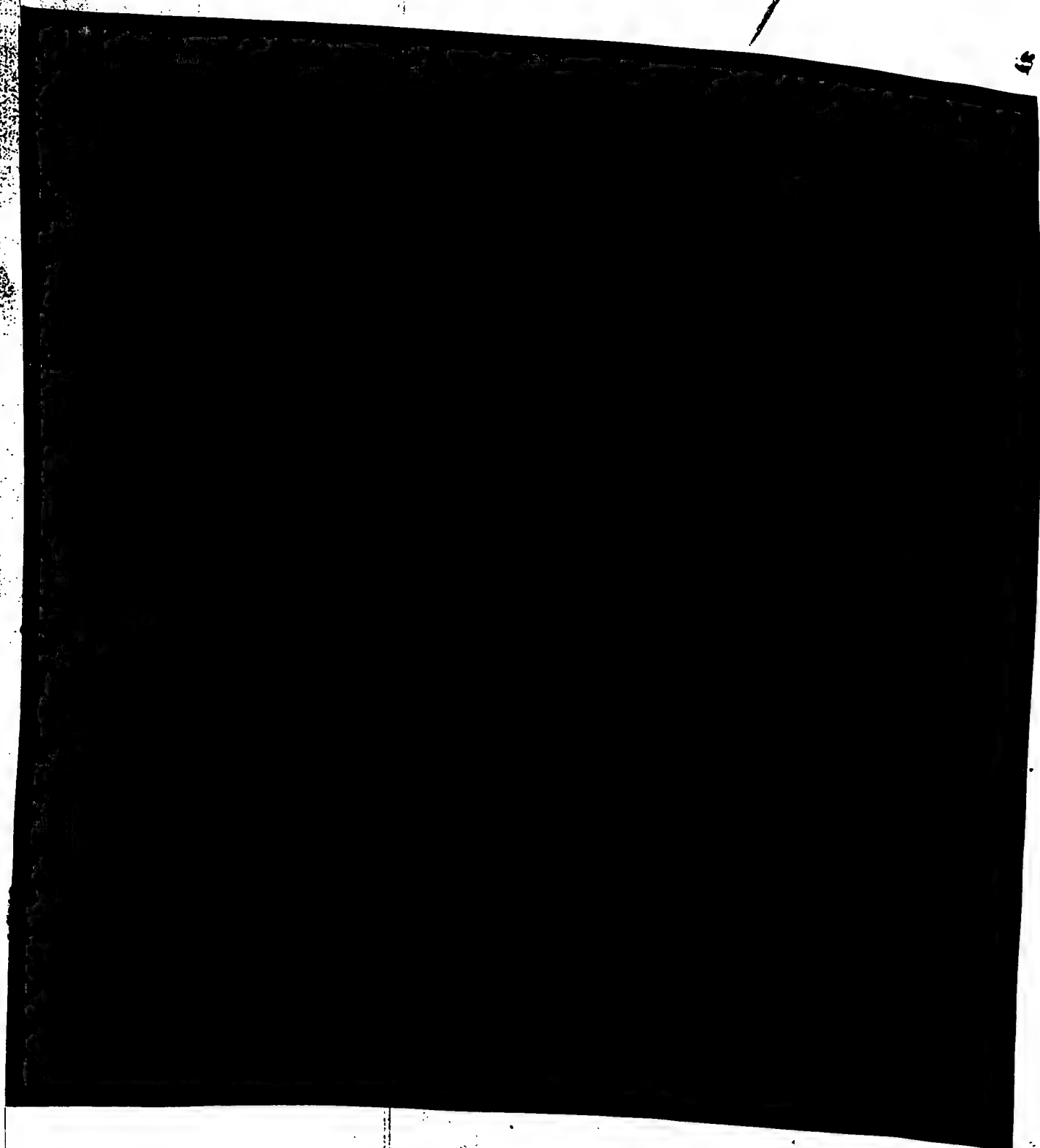
Such political maneuvering has only increased the disdain with which many Afghan fighters view the Arab missionaries. We believe that Afghan resentment of the missionaries' heavyhanded tactics will not stop resistance leaders from continuing to accept the aid they offer. At the same time, few insurgent leaders are willing to endanger the more valuable aid they receive from the West. [REDACTED] b3
[REDACTED] b3
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the Arab funds will have the most effect upon fighters inside Afghanistan who cannot win sufficient material support from their party headquarters in Peshawar.

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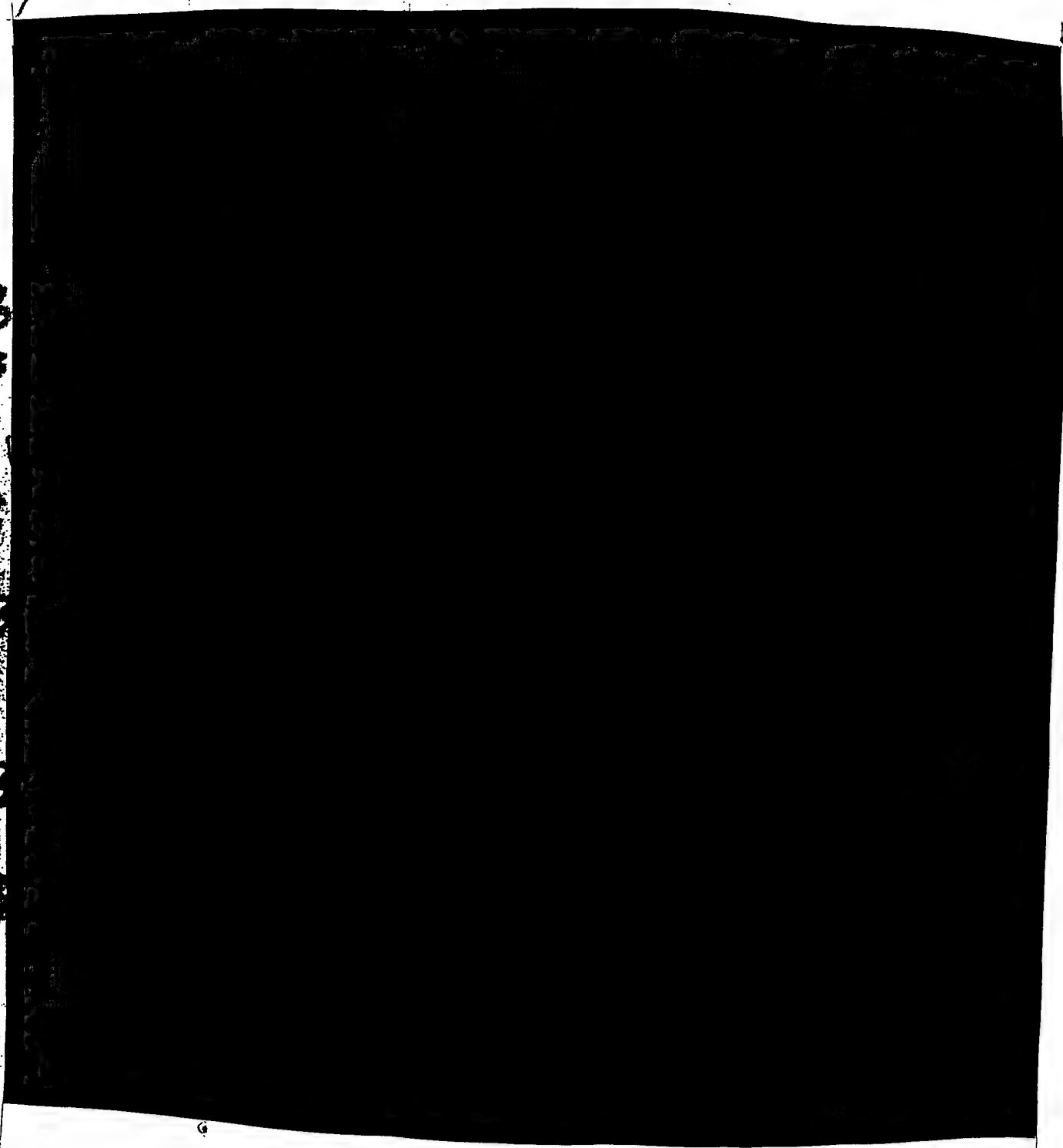
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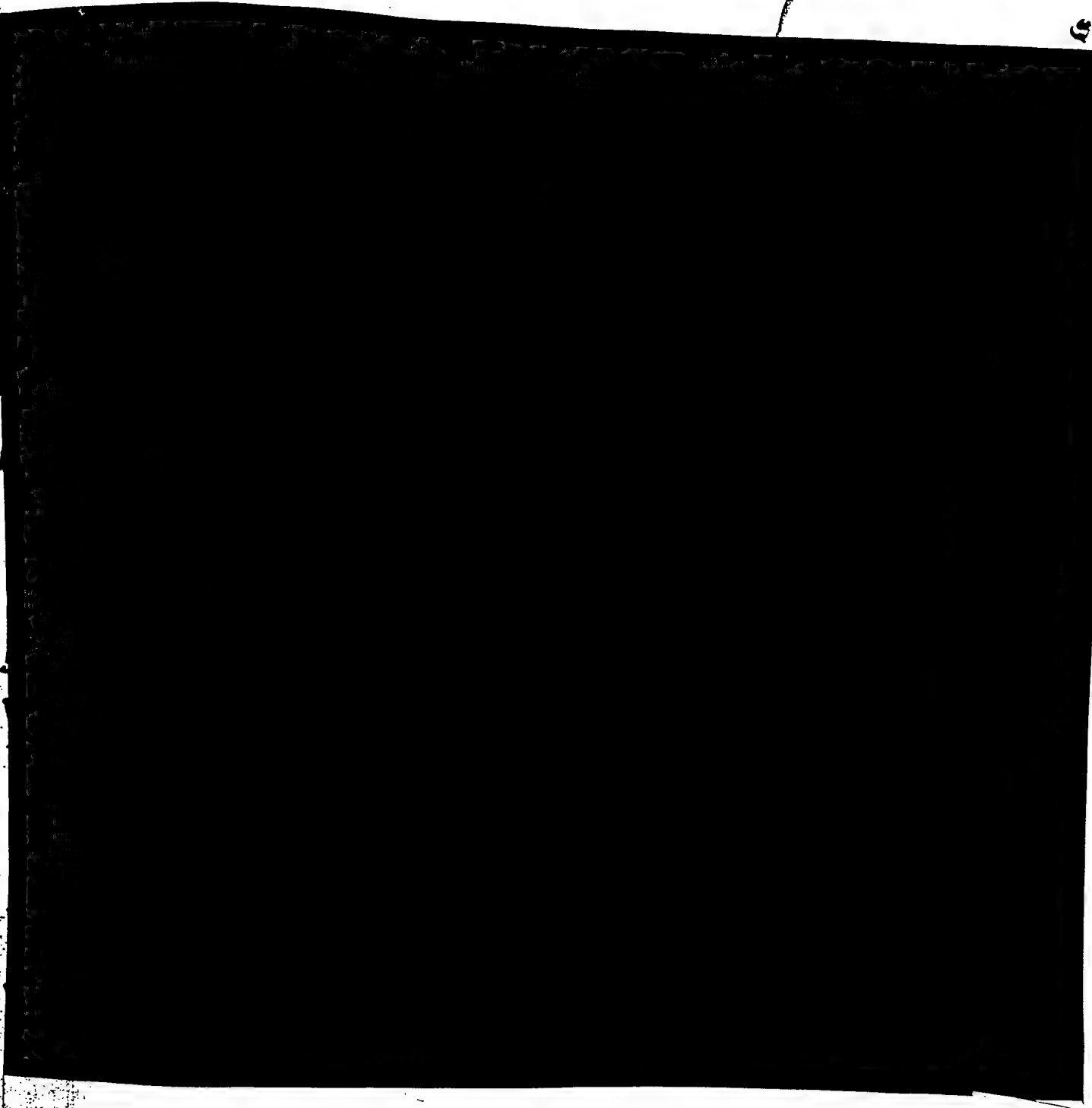
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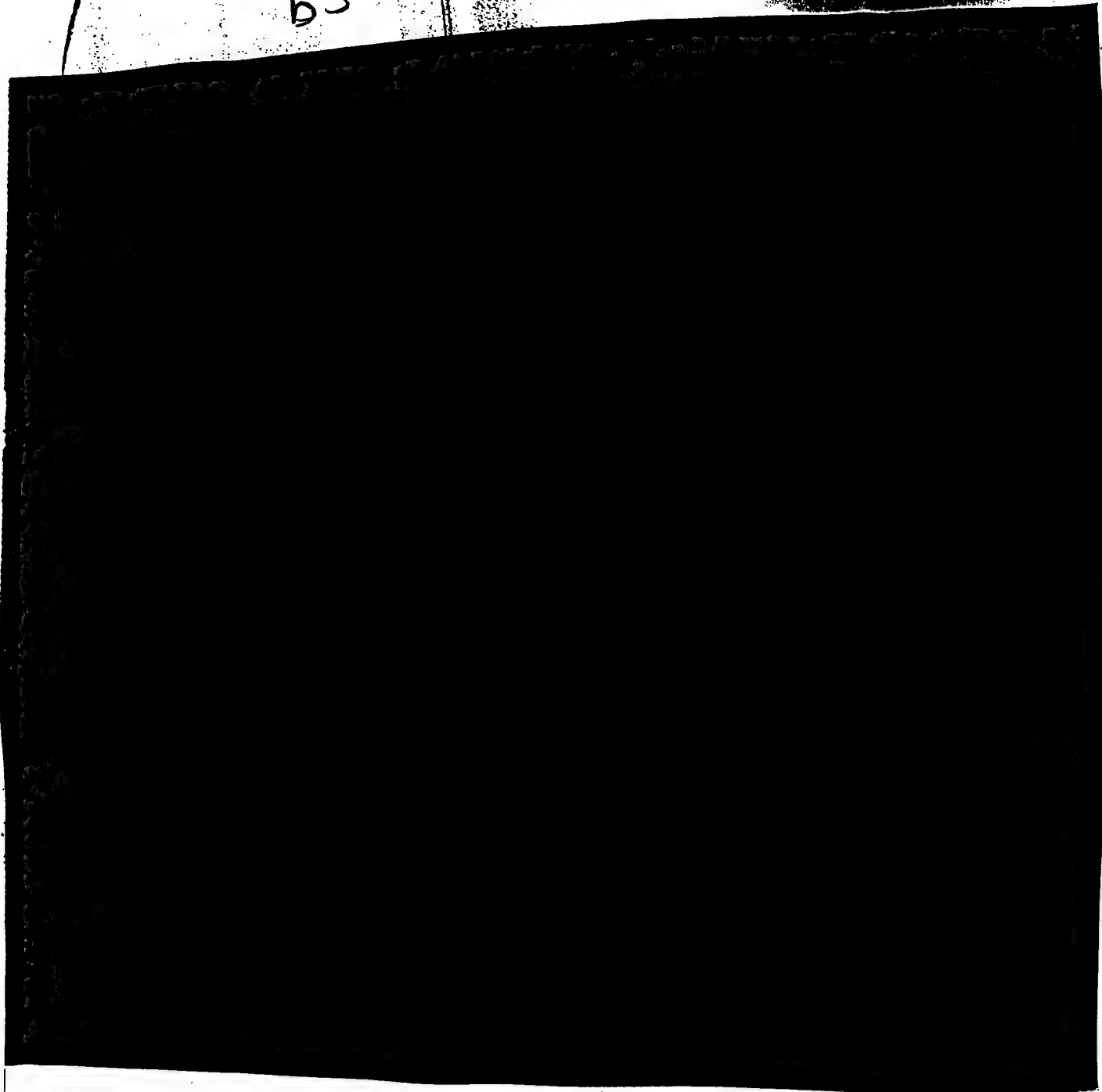


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Arunachal Pradesh: India's Disputed Borderland

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Arunachal Pradesh, which means "land of the rising sun" in Hindi, became India's 24th state earlier this year. The new state is important because its borders are a major source of contention between India and China. Aside from the border dispute, the remote state is of marginal economic importance to India and functions mainly as a haven for tribal insurgents and drug smugglers.

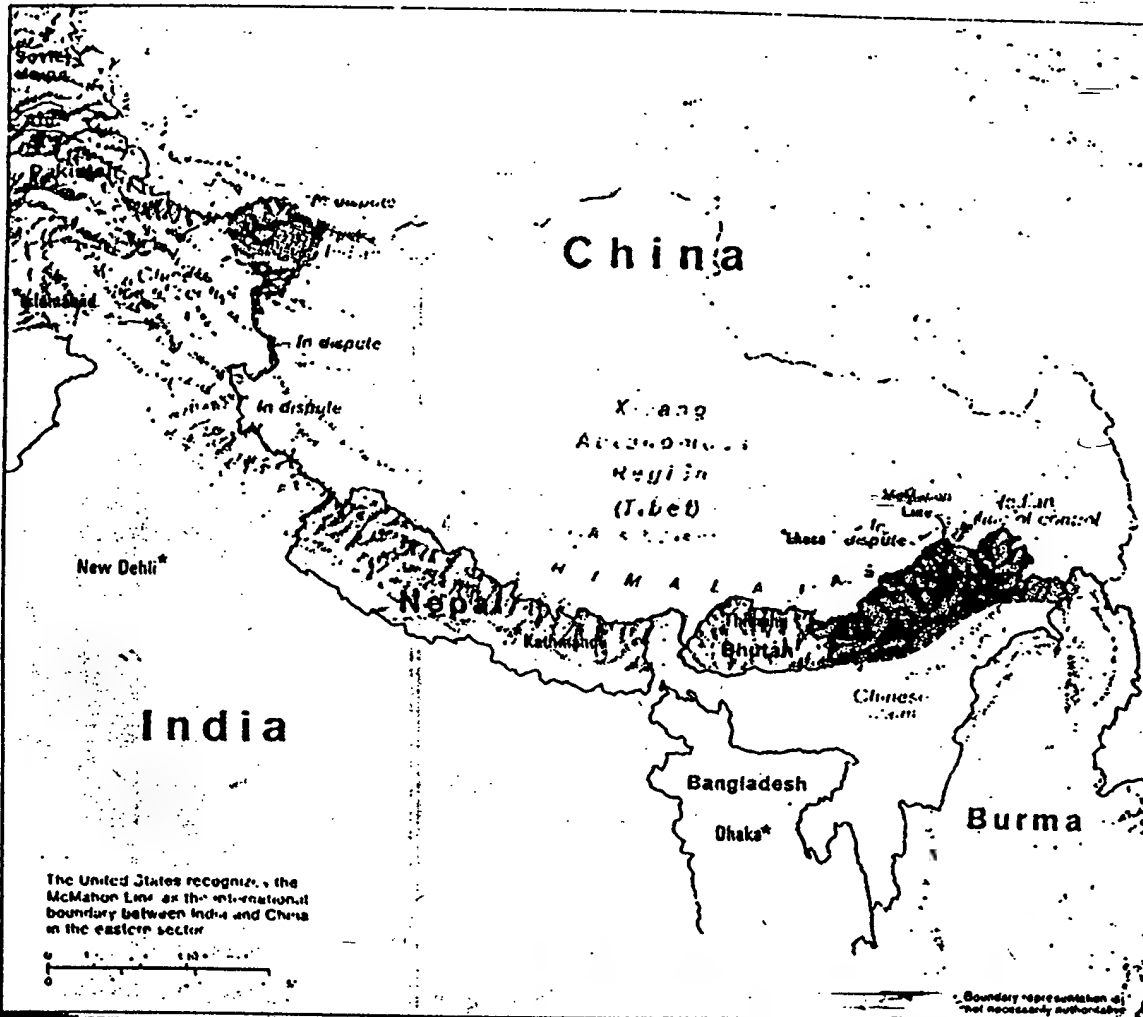
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Arunachal Pradesh officially became a state on 20 February. Its chief minister is Gegong Apaang, formerly public works minister for the territory. New Delhi appointed R. D. Pradhan as the first governor.

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Pradhan is a competent administrator and has successfully held high-level positions in the Maharashtra state government and the national government. Pradhan will have more privileges than most state governors because of Arunachal Pradesh's sensitive location. In particular, he will have special police powers to handle civil disturbances and security matters. Although this has caused some concern on the part of members of the state assembly and tribal leaders, New Delhi has promised that the customary laws and practices of local tribal groups will be protected.

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New Delhi had two main reasons for conferring statehood on Arunachal Pradesh, both linked to India's border dispute with China. In future negotiations with Beijing, New Delhi can more easily reject Chinese claims to territory in Arunachal Pradesh because, under the Indian Constitution, the government cannot change a state's borders without the state's approval. Meeting the demand of the people of Arunachal Pradesh for statehood also should make them more loyal to New Delhi, since they will have more control over their own affairs. This is an important consideration for New Delhi because the area is susceptible to drug smugglers, guerrilla movements, and Chinese meddling.

Drug Trafficking Through Arunachal Pradesh
drug trafficking has recently begun on a significant scale in the region. Border security is less stringent in Arunachal Pradesh because of its mountainous terrain, which makes it more difficult to track smugglers. A successful attempt by traffickers in May 1986 to reroute Burmese heroin through the area from longstanding routes through Thailand illustrates the state's potential to become a major transit area for drug dealers.

~~Secret~~ Sino-Indian Border Claims



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the state's mountainous terrain may also lead to increased illicit poppy production. The area's steep slopes are conducive to small poppy fields. Although small fields usually produce less, over the long term they are more productive because aerial spraying is less effective in eradicating the poppies in the widely scattered, steep fields.

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The Sino-Indian Border Dispute in the East

The British were the first in modern times to attempt to demarcate a border between India and China. At the Simla Conference in 1914 attended by Britain, Tibet, and China, the British-drawn McMahon Line in the eastern sector of the Sino-Indian border was presented as the new boundary. Great Britain and Tibet agreed on the demarcation, but the Chinese delegate only initialed the agreement, noting he lacked authority to commit China. China later repudiated the agreement and denied that Tibet had the authority to make an agreement by itself.

New Delhi and Beijing still disagree over the border. Beijing contends that the true border encompasses much of Arunachal Pradesh. Since the 1962 Sino-Indian war, the Chinese have recognized a line of control that lies south of the Indian version of the McMahon Line. The major area where Indian and Chinese claims differ lies in the area where the Chinese set up an outpost last summer.

reports, the NSCN is the best-equipped rebel group and the largest (2,000) in 1980) in the northeast.

the NSCN is responsible for smuggling weapons via Arunachal Pradesh to Naga rebels in Nagaland. The Nagas are also involved in recruiting youths in the border area of Arunachal Pradesh, training them in Burma, and returning them to fight Indian border troops in Nagaland. The new recruits were responsible for numerous attacks against Indian security forces late last year, prompting New Delhi to increase security along the border, according to press reports.

Chinese Military Moves

A third major problem for the state is the border dispute with China. In June 1986, Chinese troops set up camp in the Wangdung Ridge area. This move created a stalemate in the continuing bilateral negotiations to settle the border issue. For the first time both sides kept troops in the area through the winter.

Outlook

We believe that Beijing will continue indirectly in Arunachal Pradesh by supporting the Naga insurgents. Although we do not believe that the Nagas will cause major problems for the Indian Government, their activity could aggravate local ethnic unrest. We also believe that drug smuggling through Arunachal Pradesh will steadily increase with the crackdown on the Burmese border, and the state could eventually become a significant transit point for drugs to the West.

Naga Insurgents

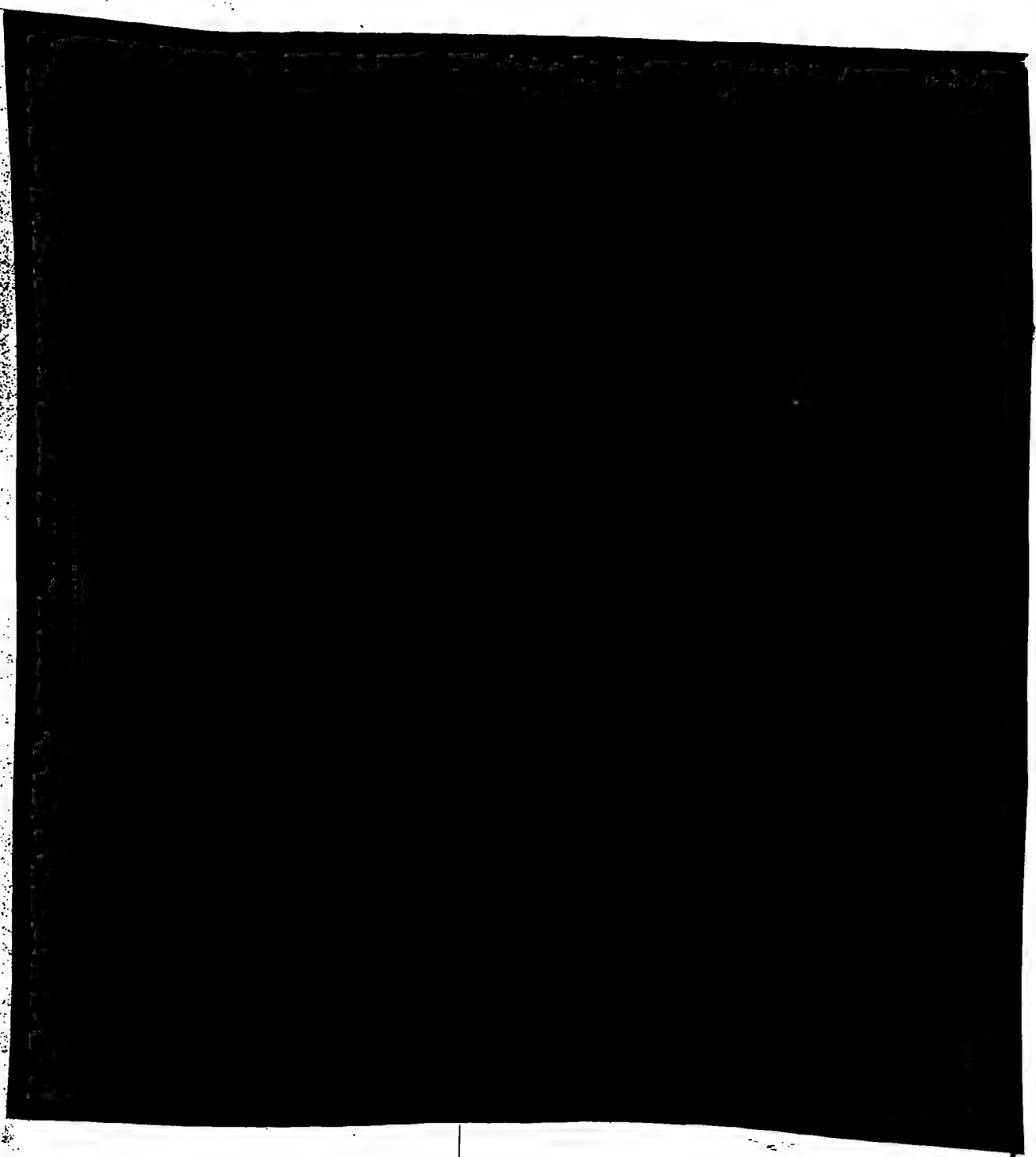
Arunachal Pradesh is becoming a popular hideaway for Naga insurgents, a tribal group fighting for an independent Nagaland in eastern India. The National Socialist Council of Nagaland (NSCN), an allegedly Burma-based and Chinese-trained radical group is operating in the Tirap frontier district of Arunachal Pradesh.

Formed in 1980, the NSCN is a faction of the Naga National Council, an underground group from neighboring Nagaland.

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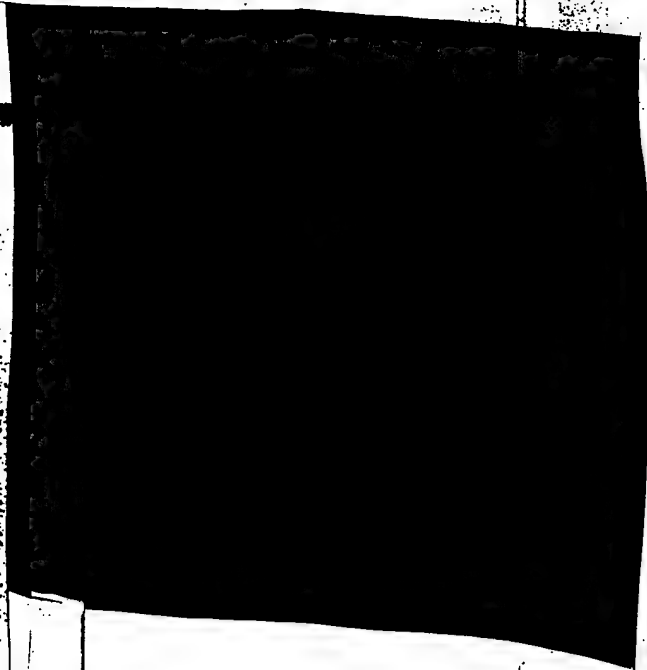
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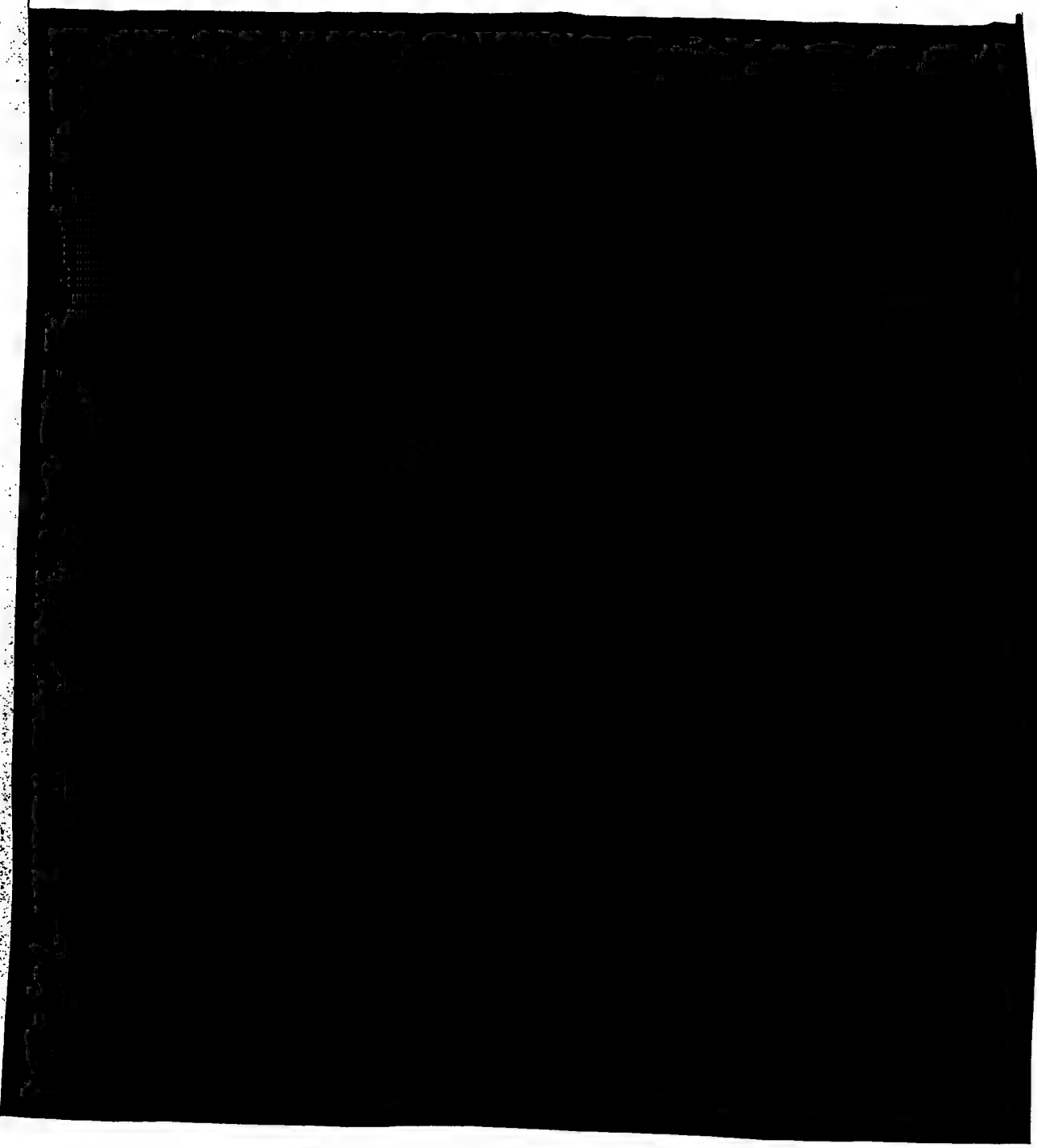


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Near East and
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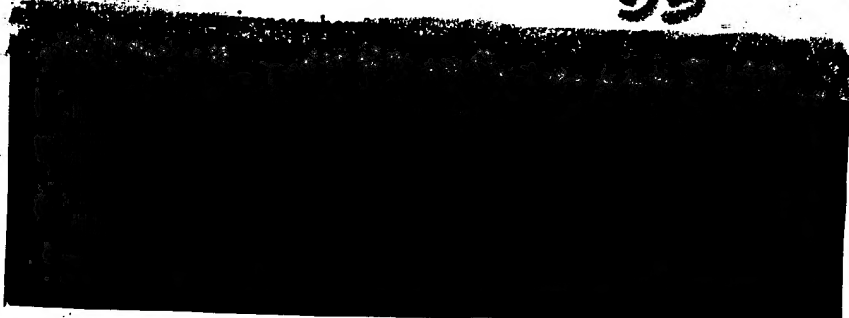
Saudi Arabia-Iran

Muted Reaction to Tanker Attacks

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b3 The recent spate of Iranian naval attacks on tankers in the lower Persian Gulf—including the first against a Saudi ship since last May—has failed to provoke a strong response from Riyadh. A series of Iranian missile attacks on shipping outbound from Saudi Arabia that began in mid-March fueled concern within the Saudi maritime community that the tanker war was escalating. The knowledge that Iran was preparing to deploy Silkworm antiship missiles near the Strait of Hormuz only highlighted the growing vulnerability of Saudi shipping in the lower Gulf. b3

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In our view, Riyadh's low-key reaction stems from a desire to avoid a direct military confrontation with Iran and a belief that a political response would be more effective in lessening tensions. Moreover, neither Riyadh nor Tehran seem willing to allow the incidents to undercut progress toward establishing a political dialogue. Even so, the attacks were probably intended to signal Iranian displeasure over Riyadh's continuing financial and material support for Iraq, including the Saudi decision last month to allow Baghdad to increase the flow of Iraqi oil through the Iraqi-Saudi pipeline from 200,000 to 500,000 barrels per day.

Lebanon

Hizballah Ties to Egyptian Fundamentalists

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Relations between the Lebanese radical Shia Hizballah and Egyptian Sunni fundamentalists are increasing and reflect the pro-Iranian Hizballah's interest in bolstering its ties to other Islamic militant groups far beyond Lebanon's borders. A series of articles and interviews appeared recently in Al Ahd—Hizballah's mouthpiece—by Shaykh Umar Abd al-Rahman, Egypt's most militant Sunni cleric and a close associate of the Egyptian Jihad organization. Abd al-Rahman was implicated in the assassination of Egyptian President Sadat, and his statements offer little hope for peaceful coexistence with the Mubarak government. b3

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Abd al-Rahman's ideological appeal to Hizballah stems from his advocacy of an Islamic nation and his opposition to the Egyptian Government, Israel, and the West. His ~~_____~~ oratory against the enemies of Islam is also appealing to Hizballah. Abd al-Rahman bases his line of thinking on the Koran and the Hadith, the words and deeds of the Prophet Muhammad. He states that universal truths can only be understood through a Muslim prism. Muslims have the right to rebel against unjust and despotic rulers, and terrorism to prevent a terror from being inflicted upon oneself is justified. Violence for its own sake is wrong, but political violence against un-Islamic rules is sanctioned by God, according to Abd al-Rahman. Holding hostages against an increasingly hostile West is a perfectly legitimate way of expressing grievances, but hostages may not be harmed during their captivity. Abd al-Rahman opposes the Camp David accords and is vehemently opposed to normalizing relations with Israel. He believes Israel can only be fought when the Islamic nation—led by an Islamic Egyptian state—is unified. ~~_____~~ b3

Abd al-Rahman's Sunni affiliation and his belief that Egypt, not Iran, should lead the future Islamic nation almost certainly will detract from future cooperation between Hizballah and the Egyptian fundamentalists. Although logistical ties probably are extremely limited and are likely to remain so, for Hizballah and its Iranian patron closer public ties and apparent cooperation with radical Sunni groups constitute a valuable propaganda success underscoring their commitment to Islamic unity. ~~_____~~ b3

Tunisia

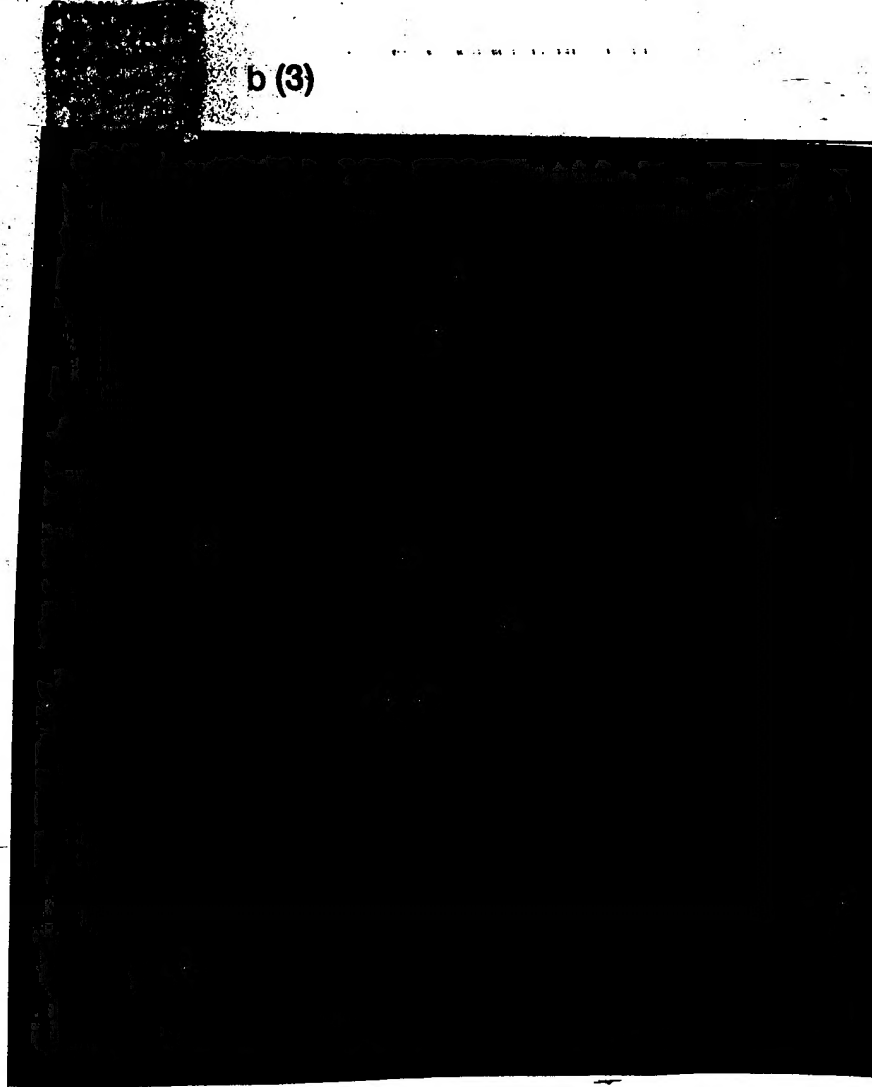
Exports Diversify and Grow Rapidly ~~_____~~ b3

Tunisia is rapidly diversifying its exports. ~~_____~~ b3
The value of nonenergy exports in the first two months of 1987 was up about 40 percent from a year ago. The goal for the year is a 14-percent increase. Clothing and accessories increased almost 50 percent in value and moved the finished goods trade balance from deficit to surplus. Food export values increased about 78 percent. Traditional exports did not fare so well. Energy export value increased about 25 percent, and phosphate export values probably fell. ~~_____~~ b3
~~_____~~ b3 a devaluation and a structural readjustment program spurred much of the gain. In addition, increased tourism—also prompted by the devaluation and readjustment—may increase enough to sustain growth of the external sector. In the short run, export growth will help alleviate balance-of-trade problems. In the long run diversification will broaden the base of the economy and facilitate adjustment to the post-oil era. ~~_____~~ b3

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